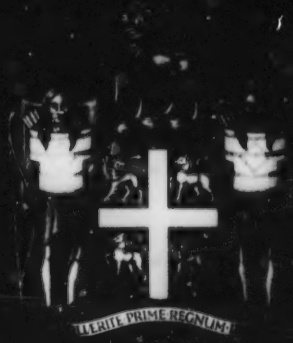

the ECONOMY 2002

NEWFOUNDLAND AND LABRADOR

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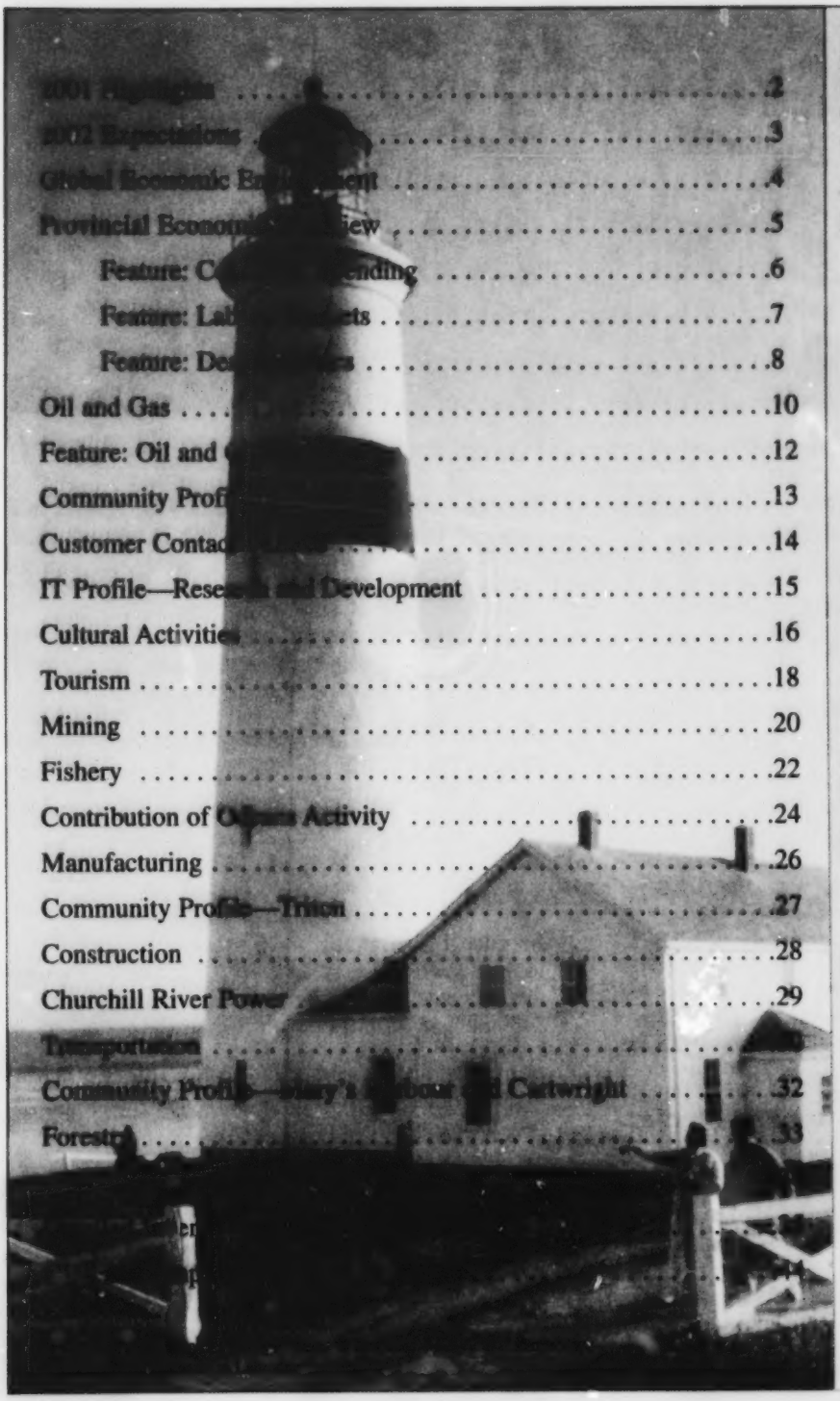

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The Economy is an annual publication providing a review of economic performance in Newfoundland and Labrador and an outlook for the near term. Most data is current as of March 11, 2002.

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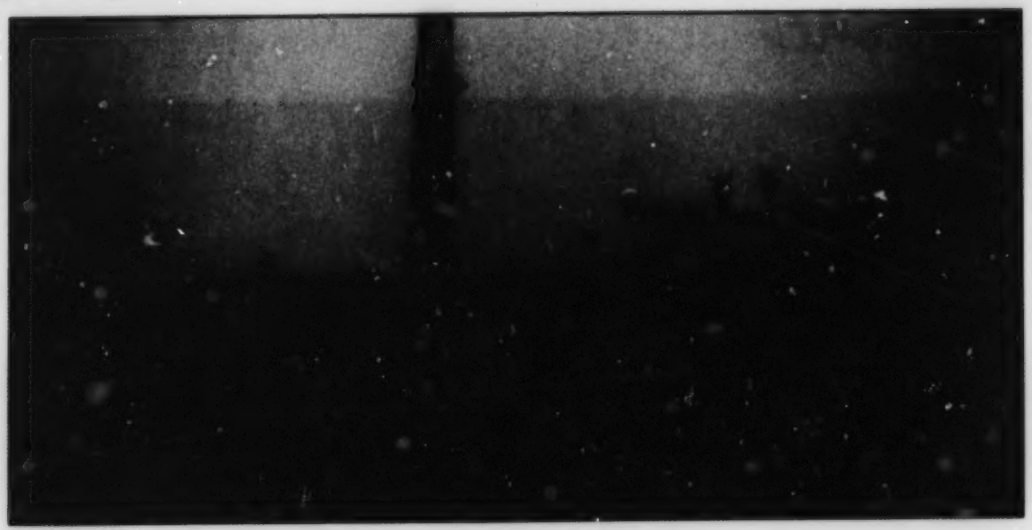
Minister of Finance
and President of Treasury Board

2001 Highlights



Credit: Terra Nova
One of the major highlights of 2001— the Terra Nova vessel's voyage to the oil field

- Real Gross Domestic Product (GDP) grew by 1.3%, somewhat lower than expected, reflecting the impact of the global economic slowdown on exports.
- Real disposable income growth of 3.3% was higher than real personal income growth (2.8%) as a result of income tax reductions.
- Retail trade grew by 8.5% to more than $4.9 billion, the fourth year since 1996 that growth exceeded 7%.
- Housing starts totalled 1,788, up 22.5% from 2000, driven by low mortgage rates.
- Employment grew by 3.3% to reach a record high of 211,300. The unemployment rate was 16.1%, the lowest since 1989.
- Capital investment declined by 4.2%. The decline was due, in large part, to the winding up of Terra Nova construction, a Gulf ferry purchase in 2000, and the completion of work on several major health care facilities.
- Inflation averaged 1.1% for the year, its lowest level since 1998.
- Hibernia production totalled 54.3 million barrels, up 3% from 2000. Production value was estimated at $2.1 billion.
- The Terra Nova production vessel arrived at the offshore field in August for final hook-up and commissioning.
- The service sector was boosted by the opening of new customer contact centres in St. John's, Grand Falls-Windsor and Carbonear, which combined, created almost 800 new jobs.
- Non-resident tourism visitation was 427,700, up marginally from 2000. Declines in auto and air visitation were offset by increased cruise ship visitation.
- The value of manufacturing shipments remained stable at about $2.2 billion.
- Weaker demand for newsprint resulted in a decline of almost 8% in local shipments to 745,800 tonnes. Despite the decline, shipments were still the second highest annual level ever recorded.
- Impeded by an almost three month shutdown of the inshore shrimp fishery, fish landings totalled 249,000 tonnes, down by 7% from 2000. The landed value was $489 million, down 14% from 2000.
- Iron ore production declined by almost 18% due, in part, to reductions in North American manufacturing, in particular automobile production.
- The population declined by 0.6% in 2001 due to continuing net out-migration.
- Negotiations continued on the development of two major projects. Voisey's Bay discussions resumed between the province and Inco, and a joint feasibility study on the Lower Churchill Hydro Development was completed by the province and Alcoa. Government approval on a third major project, the White Rose oil project, was granted in December.

2002 Expectations

Credit: Department of Tourism, Culture and Recreation
The Moravian Mission at Hebron Bay, Labrador is one of the oldest surviving man-made structures in eastern Canada

- Stronger global economic growth is expected in the second half of 2002.
- Real GDP growth in Newfoundland and Labrador is expected to be 3.7%, the strongest of all provinces. This will mark the third time in five years that the province will lead the country in terms of real GDP growth.
- Employment is expected to grow by 1.4% to 214,200, and the unemployment rate is expected to decline to 15.7%.
- Real disposable income is expected to grow by 1.5%.
- Retail sales are expected to grow by 3.3% to over $5.0 billion. This will mark the first time that retail sales have exceeded this threshold.
- Capital investment is expected to decline by 1.5%, reflecting, in part, the completion of Terra Nova construction last year.
- Inflation is expected to remain fairly low at 1.7%.
- Hibernia and Terra Nova are expected to produce a combined total of 87 million barrels of oil resulting in a 60% gain in overall production levels.
- Project sanction from the White Rose owners is expected.
- Onshore oil production on the Port au Port Peninsula is expected to begin.
- Employment at customer contact centres is expected to grow to 4,500 by December 2002.
- Fish landings are expected to increase by 5% to 262,000 tonnes, led by a recovery in shrimp landings.
- Aquaculture production is expected to grow by almost 40% to about 7,500 tonnes, and the value of production is expected to exceed $30 million.
- Most other resource-based industries will benefit from a stronger global economy in the second half of 2002, and production levels should surpass that of 2001. A final decision on U.S. lumber tariffs is expected by May 2002.
- Population loss is expected to continue due to net out-migration and falling natural population increase.
- Tourism is expected to be boosted by the completion of the Trans Labrador Highway to Cartwright, the special tourism celebrations planned for Labrador, increased film-related publicity, and ongoing efforts to promote the province as a cruise ship destination.
- Negotiations are expected to continue with Inco on the development of the Voisey's Bay nickel deposit, and with Alcoa on the development of the Lower Churchill Hydro Development.

Global Economic Environment

International

The global economy slowed in 2001 as weakening economic conditions were exacerbated by the September 11 terrorist attacks. Real Gross Domestic Product (GDP) growth slowed from 4.7% in 2000 to 2.4% last year as significant weakness occurred in the more advanced economies, particularly the U.S. and Japan. Developing countries in Asia were less affected, but all regions experienced slower growth due to high oil prices and declining business investment.

A global economic recovery in the coming months will be supported by low interest rates, low inflation, relatively low oil prices, and improved fiscal positions. Real GDP growth in most advanced economies is expected to improve sharply in the second half of 2002, with the exception of Japan which is expected to remain mired in recession. Overall, global economic growth is expected to be 2.4% in 2002.

United States

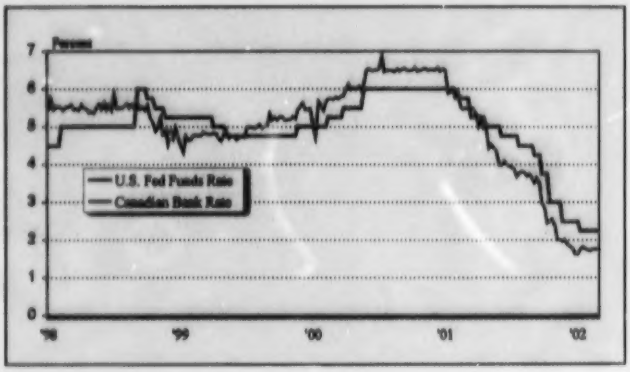
The U.S. economy slowed dramatically in 2001, but escaped a recession. While the economy did contract in the third quarter, growth resumed in the fourth, avoiding the technical definition of a recession (i.e., two consecutive quarters of negative growth). Notwithstanding this, labour markets experienced a turbulent time in 2001. The economy lost 1.3 million jobs over the last nine months and the unemployment rate increased from 4.0% in late 2000 to 5.8% in December 2001. In response to the slowdown, the U.S. Federal Reserve Board lowered interest rates eleven times. The federal funds target rate is now 1.75%.

Growth in Real GDP (%)

	[illegible]	[illegible]	[illegible]
WORLD	4.7	2.4	2.4
Canada	4.4	1.5	1.5-2.5
United States	4.1	1.2	1.0-2.0
Japan	2.2	-0.4	-1.0
European Union	3.4	1.7	1.3
Developing Countries	5.8	4.0	4.4
Newfoundland and Labrador*	5.6	1.3	3.7

* 2000 - Statistics Canada; 2001 and 2002 - Economics and Statistics Branch, Department of Finance.
Source: Various, available on request.

North American Interest Rates are the Lowest Since the 1960s



Source: U.S. Federal Reserve and Bank of Canada

Recent economic data indicates that the U.S. economy is beginning to gain momentum. Employment losses have dissipated in recent months and, with interest rates at 40 year lows, the housing market has remained strong and consumer spending has rebounded. Growth is expected to remain relatively weak, however, until a significant recovery in manufacturing activity and business investment occurs. Most forecasters are predicting growth of 1% to 2% for the U.S. economy in 2002.

Canada

Canada, like the U.S., experienced a slowdown in economic growth in 2001 but also avoided a recession. While real GDP growth was weak throughout the year, only the third quarter recorded a contraction. The Bank of Canada acted aggressively throughout the slowdown, lowering the Bank rate ten times to 2.25%, the lowest since the 1960s. Unlike the U.S., Canada did not experience significant job losses, however, the unemployment rate did rise from 6.8% in December 2000 to 8.0% in December 2001 due to continued growth in the labour force. For the year, GDP grew by 1.5% and employment increased by 1.1%.

Most forecasters are predicting real GDP growth of 1.5% to 2.5% in 2002. Modest employment gains and low interest rates should keep the consumer and housing sectors strong, and exports should improve as the U.S. economy recovers. The unemployment rate is expected to stay around 8.0%.

Provincial Economic Overview

Review of 2001

While the global economic slowdown had an impact on the province in 2001, overall economic performance was solid. Like the national economy, strong consumer spending helped real Gross Domestic Product (GDP) grow by 1.3% despite weaknesses in other sectors, exports in particular.

The export sector, which has been the main engine of growth over the past several years, declined slightly in 2001 as gains in oil production were more than offset by production declines elsewhere. The slowdown in the U.S. economy weakened demand for newsprint and steel and, as a result, newsprint shipments declined by almost 8% and iron shipments by 18%. As well, weak markets for shrimp, particularly in the U.S., forced a suspension of the inshore shrimp fishery for part of the fishing season. This, along with lower cod landings, reduced overall fish landings by 7%.

Labour market performance was strong last year, driven by several factors including rapid growth in new industries, continued growth in retail sales, and gains in other areas such as health services and technology. Real disposable income grew by 3.3% in 2001, boosting local consumption. Retail sales, for example, grew by 8.5%, and housing starts grew by 22.5%. Housing investment was also driven by historically low mortgage rates.

The population estimate for the province (as of July 1, 2001) was 533,761 persons, down by 0.6% from 2000. Net out-migration was 3,608, which more than offset a natural population increase (excess of births over deaths) of 148 persons.

Economic Indicators
Labrador: 2000-2002

	2000	2001	2002
GDP at market prices ($m)	14,081	14,383	14,591
% change	13.8	2.1	1.4
GDP at market prices (1992$m)	12,570	13,003	13,489
% change real	5.8	1.3	3.7
Personal Income ($m)	11,295	11,728	12,165
% change	4.9	3.9	3.7
% change real	1.8	2.8	2.0
Personal Disposable Income ($m)	8,977	9,396	9,697
% change	4.4	4.4	3.2
% change real	1.3	3.3	1.5
Retail Trade ($m)	4,522	4,905	5,066
% change	7.1	8.5	3.3
% change real	3.3	8.1	1.6
Capital Investment ($m)	3,301	3,163	3,115
% change	-7.8	-4.2	-1.5
% change real	-6.0	-4.6	-4.0
Labour Force (000's)	245.6	251.9	254.0
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Outlook for 2002

Real GDP growth in 2002 is expected to be 3.7%, mainly due to gains in the export sector. Oil production, in particular, is expected to grow by 60% on the assumption that Hibernia will produce approximately 58 million barrels and Terra Nova 29 million barrels. Most other resource-based industries should benefit from a stronger Canadian and global economy, and production should begin to regain last year's losses.

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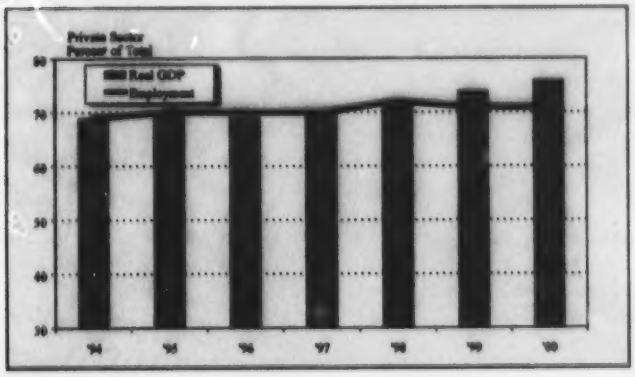
Private Sector Share of Economy on the Rise Due to Export Growth



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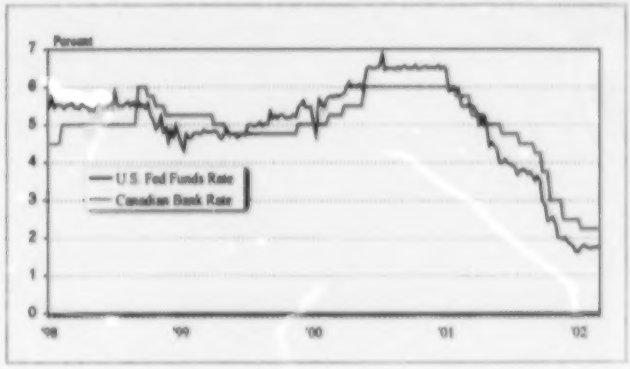

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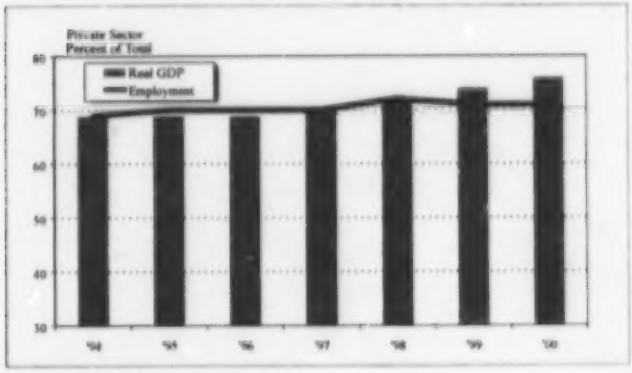

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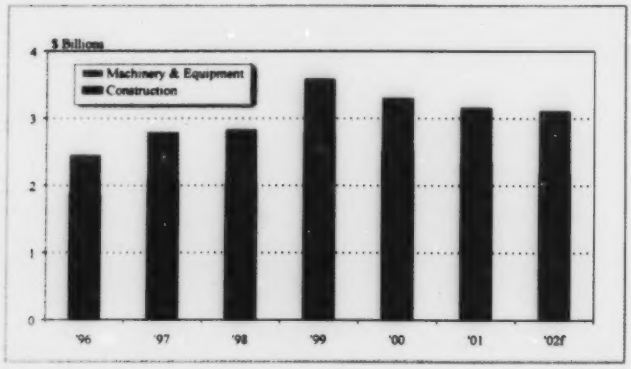
Capital Investment is Expected to Decline But Remain Above $3 Billion



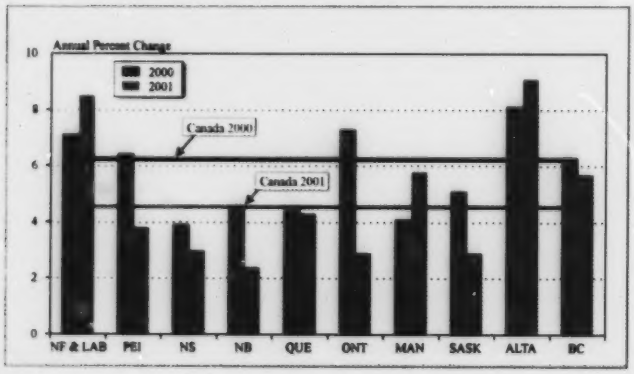
Source: Statistics Canada

should boost that area's exposure and tourist activity. Tourism will also benefit from ongoing efforts to promote the province as a cruise ship destination.

Capital investment is expected to decline by 1.5% in 2002 to about $3.1 billion due, in large part, to the conclusion of Terra Nova development activity. Government has given its approval to the White Rose development application and is expecting a favourable response from the project's owners before mid-2002.

Consumer and business confidence should remain strong, driven by gains in employment, major project activity, expansion of customer contact centres and wage gains. Employment is expected to grow by 1.4%, and the unemployment rate to decline to 15.7%. Retail sales growth is expected to slow to 3.3%, in line with income gains. The Voisey's Bay and Lower Churchill developments have not been factored into the 2002 forecast. Should these projects receive approval to start up this year, they will represent an incremental economic benefit.

Province Records Second Highest Growth in Retail Sales in 2001



Source: Statistics Canada

Feature: Consumer Spending

Consumer spending is the single largest component of GDP in the province, representing over 43% of economic activity, and includes the purchase of merchandise (i.e., retail sales), services (e.g., hotels, restaurants), and rent. Real consumer spending has grown by over 17% in the last five years.

Retail sales have been strong. In four of the past five years, growth has exceeded 7%, including 8.5% in 2001, and cumulative growth between 1996 and 2001 totalled 38%. The cumulative growth was the second strongest among all provinces (behind Alberta) and outpaced national growth of 31%. Factors behind this performance include: employment and wage gains; favourable interest rate conditions; personal and retail tax reductions; falling savings rates; and pent-up demand (a carry-over from the mid 1990s).

Retail gains were recorded for many types of stores, but the bulk of the increase has been in food stores, motor and recreational vehicles, gasoline/service stations, and general merchandise. These components make up over 80% of total sales.

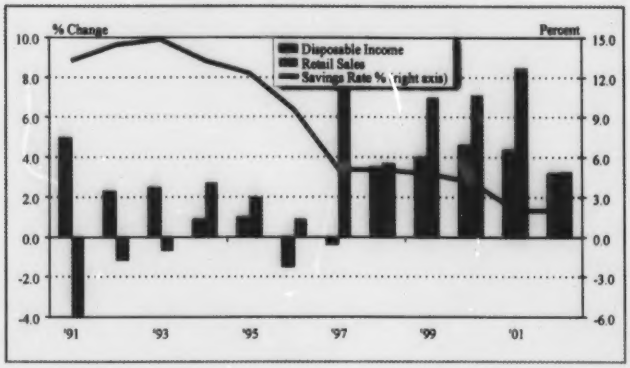
Growth in consumer spending over the past several years has been higher than income growth and, as a result, the savings rate has declined and consumer debt has increased. These

Retail Sales by Trade Group

Store	% Change from 2000	Share of Total Sales 2001
Motor & recreational vehicles	11.9%	26.4%
Supermarkets, grocery & specialty food	8.5%	26.1%
Gasoline & automotive service station	7.7%	14.3%
General merchandise	8.0%	14.2%
Drugs & patent medicines	11.9%	5.7%
Clothing & shoes	4.8%	3.4%
Furniture & appliances	4.3%	3.3%
Other	-0.3%	6.6%
Total	**8.5%**	**100.0%**

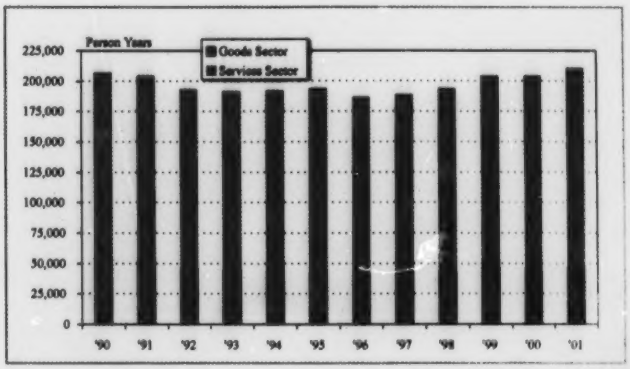
Source: Statistics Canada; Economics and Statistics Branch, Department of Finance

Retail Sales Growth Expected to Slow in Line with Income Gains



Source: Statistics Canada; Economics and Statistics Branch, Department of Finance

Employment Levels Reached an All-Time High in 2001



Source: Statistics Canada

changes indicate that there may be limited room for new growth in spending in the near term. When combined with more moderate employment growth, these developments are expected to translate into consumer spending and retail trade increases that are more in line with income growth.

Feature: Labour Markets

Labour markets in the province have improved considerably over the past five years and employment reached an all time high in 2001. Prior to last year, employment had peaked in 1990 at 207,400 before falling in the wake of the 1990/91 recession, the 1992 cod moratorium, government restraint measures, a tightening of the social safety net (e.g., EI reform resulted in declining EI beneficiaries) and increased out-migration. Since 1996, employment has grown by almost 13%, and in two of these years (1999 and 2001), the province led the country in terms of employment growth.

A number of records were hit in 2001. Employment grew by 3.3% and reached an all-time high of 211,300. Employment in the service sector grew by 3.6% to a record 165,400, and goods sector employment grew by 2.0% to 45,900.

Other labour market indicators also reached new highs. The labour force (the number of people working plus the unemployed actively seeking work) averaged 251,900, surpassing the previous record set in the early 1990s. The participation rate (the percent of working age adults in the labour force) and the employment rate (the percent of the working age population that are employed) also achieved new highs. While the province continues to lag behind national performance in terms of absolute levels, some progress was noted. The unemployment rate fell to 16.1%, the lowest since 1989.

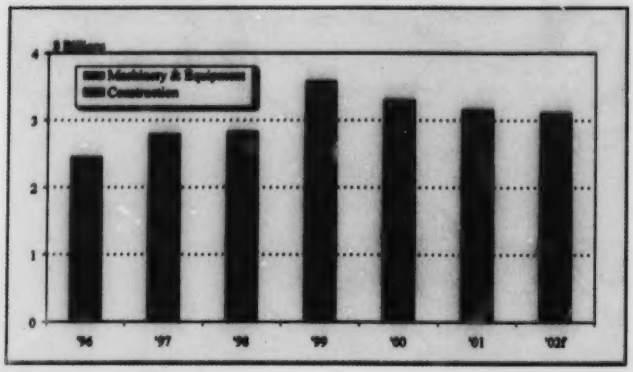
The employment gains of the past few years have been concentrated in the service producing industries. New opportunities are creating significant employment benefits. Employment in customer contact centres, for example, will approach 4,500 in 2002, up from less than 1,000 prior to 1998. Industry surveys indicate significant growth in information, communications and advanced technologies which employed an estimated 4,500 in 2001. Strong job growth is being experienced in professional, scientific and technical services which were up by 4.3% last year, and up by over 40% from 1996. The trade industries have also grown: employment in wholesale and retail trade averaged 39,600 in 2001, up from 32,500 in 1996.

Labour Market Indicators

Indicator	1990	2000	2001
Employment	207,400	204,600	211,300
Unemployment	42,100	41,000	40,600
Labour Force	249,500	245,600	251,900
Unemployment Rate	16.9%	16.7%	16.1%
Employment Rate	47.1%	46.5%	48.1%
Participation Rate	56.7%	55.8%	57.3%

Source: Statistics Canada

Capital Investment is Expected to Decline But Remain Above $3 Billion



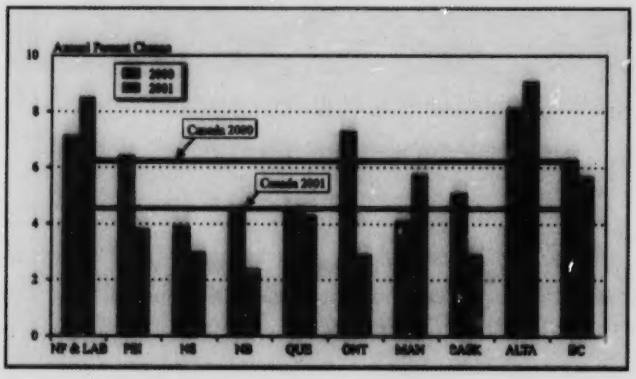
Source: Statistics Canada

should boost that area's exposure and tourist activity. Tourism will also benefit from ongoing efforts to promote the province as a cruise ship destination.

Capital investment is expected to decline by 1.5% in 2002 to about $3.1 billion due, in large part, to the conclusion of Terra Nova development activity. Government has given its approval to the White Rose development application and is expecting a favourable response from the project's owners before mid-2002.

Consumer and business confidence should remain strong, driven by gains in employment, major project activity, expansion of customer contact centres and wage gains. Employment is expected to grow by 1.4%, and the unemployment rate to decline to 15.7%. Retail sales growth is expected to slow to 3.3%, in line with income gains. The Voisey's Bay and Lower Churchill developments have not been factored into the 2002 forecast. Should these projects receive approval to start up this year, they will represent an incremental economic benefit.

Province Records Second Highest Growth in Retail Sales in 2001



Source: Statistics Canada

Feature: Consumer Spending

Consumer spending is the single largest component of GDP in the province, representing over 43% of economic activity, and includes the purchase of merchandise (i.e., retail sales), services (e.g., hotels, restaurants), and rent. Real consumer spending has grown by over 17% in the last five years.

Retail sales have been strong. In four of the past five years, growth has exceeded 7%, including 8.5% in 2001, and cumulative growth between 1996 and 2001 totalled 38%. The cumulative growth was the second strongest among all provinces (behind Alberta) and outpaced national growth of 31%. Factors behind this performance include: employment and wage gains; favourable interest rate conditions; personal and retail tax reductions; falling savings rates; and pent-up demand (a carry-over from the mid 1990s).

Retail gains were recorded for many types of stores, but the bulk of the increase has been in food stores, motor and recreational vehicles, gasoline/service stations, and general merchandise. These components make up over 80% of total sales.

Growth in consumer spending over the past several years has been higher than income growth and, as a result, the savings rate has declined and consumer debt has increased. These

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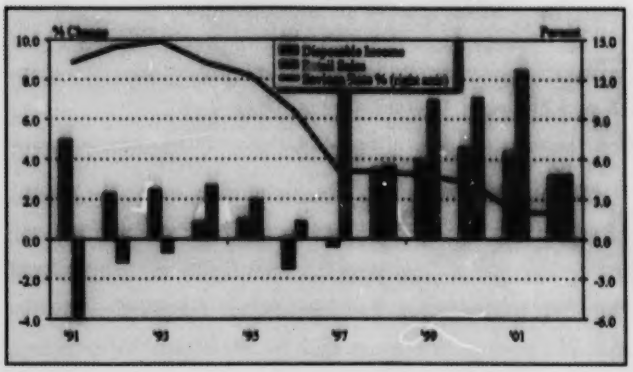
Drugs & patent medicines	11.9%	5.7%
Clothing & shoes	4.8%	3.4%
Furniture & appliances	4.3%	3.3%
Other	-0.3%	6.6%
Total	8.5%	100.0%

Source: Statistics Canada; Economics and Statistics Branch, Department of Finance

Retail Sales Growth Expected to Slow in Line with Income Gains



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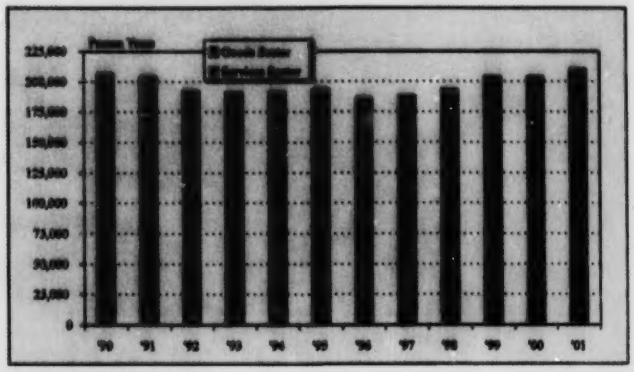
Employment Levels Reached an All-Time High in 2001



Source: Statistics Canada

changes indicate that there may be limited room for new growth in spending in the near term. When combined with more moderate employment growth, these developments are expected to translate into consumer spending and retail trade increases that are more in line with income growth.

Feature: Labour Markets

Labour markets in the province have improved considerably over the past five years and employment reached an all time high in 2001. Prior to last year, employment had peaked in 1990 at 207,400 before falling in the wake of the 1990/91 recession, the 1992 cod moratorium, government restraint measures, a tightening of the social safety net (e.g., EI reform resulted in declining EI beneficiaries) and increased out-migration. Since 1996, employment has grown by almost 13%, and in two of these years (1999 and 2001), the province led the country in terms of employment growth.

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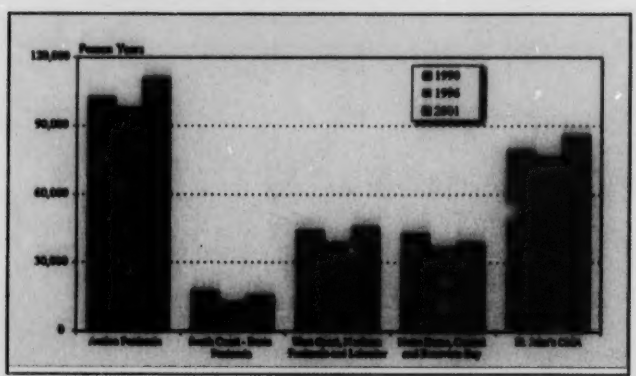
Source: Statistics Canada

Credit: Ronalda Steele
Construction work underway in Paradise

On a regional basis, employment gains have been widespread since 1996. Employment outside the St. John's area grew by 14% between 1996 and 2001 while employment in the St. John's area grew by 12%. Although employment in the St. John's area and Avalon Peninsula set new highs in 2001, employment in two regions (South Coast and Central) has yet to recover to 1990 levels.

Provincial labour markets are expected to continue to improve with modest employment gains in both the goods and service sectors. The goods sector will be led by the start-up of White Rose construction and an improved performance among resource-based industries. Service sector growth will be led by gains in the customer contact centre business, professional, scientific and technical services, and retail trade.

Some Regional Labour Markets Have Fared Better Than Others



Note: The Avalon Peninsula includes the St. John's Census Metropolitan Area (CMA)
Source: Statistics Canada

Feature: Demographics

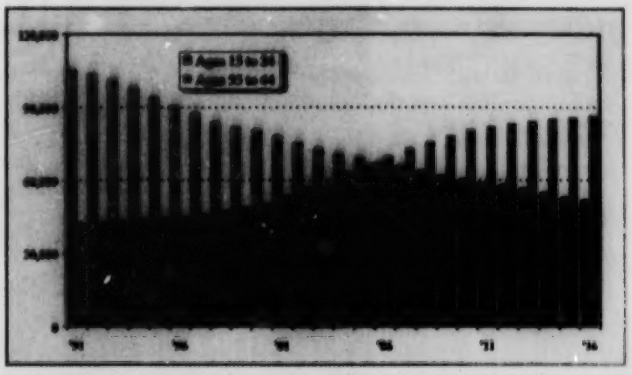
In 1992 and 1993, the population of the province reached a record 580,200 persons. Since then, (i.e., following the cod moratorium), the population has continually declined. As of July 1, 2001, the estimate of the province's population stood at 533,761 persons, 8% lower than its 1993 level. Nevertheless, population losses have become much smaller over the last three years corresponding to a stronger growth period in the provincial economy. Net out-migration, a major component of population change, was 3,608 persons in 2001, down 7.5% from the previous year and down 62.8% from its peak of 9,687 persons in 1998. The reduction in out-migration is the result of strong employment gains, wage growth and a general increase in consumer and business confidence. While these factors have caused out-migration to diminish, net losses are expected to continue in the near term.

The other major component of population change, natural increase (the excess of births over deaths), was only 148 persons in 2001, down 64% from 407 in the previous year. This was the lowest natural population increase since Confederation and, should this trend continue, the province will soon experience natural population losses. Low fertility rates will result in fewer births in the future, and an aging population will result in increased deaths.

As a result of these two trends (low fertility rates and more deaths) the average age of the population is expected to continue rising. This pattern will be even clearer in more rural regions of the province where these trends have been more pronounced. As a result, the regional distribution of the province's population is expected to become more urban. Also, aging and regional shifts of the province's population will alter the demand for a wide range of both private and public sector services. For example, the demand for education services should decrease while the demand for health services is expected to grow.

Population aging could reduce the province's labour supply in the future. In 2001, the number of persons aged 15 to 24 years (potential entrants into the labour force) was higher than the population aged 55 to 64 (potential retirees). Current population projections suggest that within a few years the population aged 55 to 64 will exceed those aged 15 to 24 (see chart). This change will result in lower unemployment rates (as growing labour demand catches up to declining labour supply), higher incomes (as wages are bid up), and possibly less out-migration and more in-migration (as a greater choice of local job opportunities are available to those desiring to work in the province).

Selected Population Groups Newfoundland and Labrador



Source: Statistics Canada; Projections to 2016 are from Department of Finance, Medium Scenario, as of June 2001. www.economics.gov.nf.ca

These trends are not lost on today's employers. Many are making plans now and executing human resource strategies in preparation for future change. Companies such as the Iron Ore Company of Canada (IOCC) at Labrador City and industry associations such as the Alliance of Manufacturers and Exporters recognize the cumulative impacts of these factors, and are implementing successor planning, mentorship programs, and other recruitment actions. (See page 21 for a detailed discussion of the IOCC initiative).

The Census and Population Estimates

On March 12, 2002 Statistics Canada released the 2001 *Census Counts* which indicated that since 1996 the population of the province has declined by 7.0%. This result implies a larger decline than the 4.8% reflected in Statistics Canada's *Provincial Population Estimates* (see table) which are prepared on a quarterly basis. This will eventually result in a downward revision to current population estimates.

The Quarterly Population Estimates, prepared by Statistics Canada, are used to determine provincial entitlements from federal funding programs like Equalization and the Canada Health and Social Transfer. They are also used by Statistics Canada to produce survey estimates for a range of important social and economic data (e.g., Labour Force Survey).

The Census, which is conducted once every five-years, is an important tool in determining an overall population estimate. Before this can occur, several adjustments are made to the Census figures, in particular accounting for people missed during the Census taking.

The current 2001 Population Estimates are based on the 1996 Census. With the release of the 2001 Census, the population estimates will be revised in the coming months. Based on previous revisions, Government expects that the recent Census Count will likely result in a downward revision in the range of 10,000 to 12,000 to the current 2001 Population Estimate of 533,761. It will, however, be eighteen months before we see revised population numbers. Adjustments to the provincial population estimates for the period 1997 to 2000 can be expected as well.

Comparison of Population Estimates and Census Counts

Year	Population Estimates	Census Counts
1996	560,584	551,792
2001	533,761	512,930
Difference		
Actual:	-26,823	-38,862
Percent:	-4.8%	-7.0%

Source: Statistics Canada

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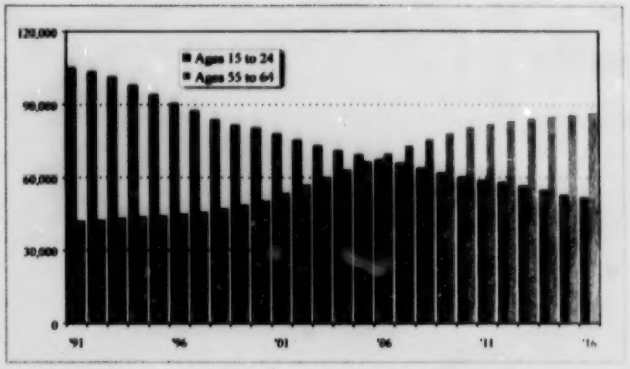

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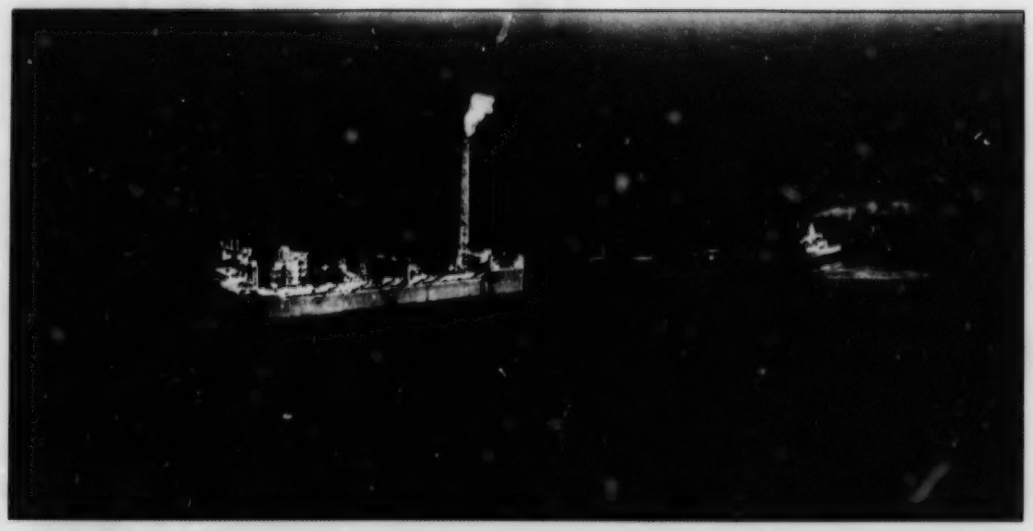
Oil and Gas

Hibernia production now accounts for one-quarter of export value



Credit: Terra Nova
Oil tanker receiving oil from the Terra Nova Floating Production, Storage and Offloading vessel

Offshore Production

Hibernia produced 54.3 million barrels of oil in 2001, up about 3% from 52.8 million barrels in 2000. Production was down throughout most of 2001 due to gas management issues. This problem was alleviated in the latter part of the year which allowed production to increase significantly. Since production started in late 1997, almost 174 million barrels of oil have been produced from Hibernia, out of reserves of 884 million barrels.

Outlook for 2002

- Oil production is expected to grow by 60% to 87 million barrels (Hibernia 58 million barrels, Terra Nova 29 million barrels).
- Husky Oil is expected to proceed on the White Rose project.
- The onshore Garden Hill oil field is expected to commence production.
- Hibernia and Terra Nova combined are expected to spend $500 million in capital expenditures.
- A decision from the arbitration tribunal regarding the South Coast Maritime boundary dispute is expected in the spring.

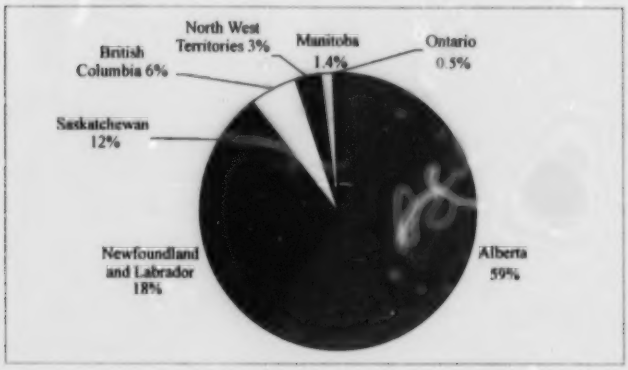
The value of production is estimated at $2.1 billion in 2001, down by almost 8% from 2000. This decline was due to lower oil prices which, on average, dropped by almost US$4 per barrel in 2001.

Terra Nova development work at Bull Arm was completed last summer and the production vessel arrived at the field in August. While first oil was expected by the end of 2001, additional time was required for hook-up and commissioning which delayed production until January 20, 2002. The field is currently permitted to produce over 36 million barrels a year. The owners believe the field is able to support a much higher level of production, and have made a request to government for an increase which could see production rise to 47 million barrels a year. Estimated field reserves of 400 million barrels of oil could be positively impacted by recent successful delineation in the Far East portion.

Offshore Development

White Rose, the next potential offshore oil development, moved a step closer to project sanction in December 2001 with the conditional approval of the development application by both the federal and provincial governments. The development application calls for the extraction of 230 million barrels of oil over a projected life of up to 15 years. The project's lead operator, Husky Oil, has indicated that a decision on whether to proceed with this development will come some time before mid-2002.

Production of Canadian Conventional Light Crude Oil, 2001 (% of Total)



Source: National Energy Board of Canada

Pending a favourable decision, construction should begin later this year with first oil expected in 2005.

Hebron-Ben Nevis was expected to be the fourth offshore oil development in the province, however, in early 2002 the operator for the field (Chevron Canada Resources) indicated that it was discontinuing project evaluation. Chevron cited demanding reservoir characteristics and higher development costs as the primary reasons for suspension of the project. The owners did indicate, however, that Hebron-Ben Nevis remains a potential development over the longer term. This field has resources of between 400-700 million barrels of oil.

Onshore Development

Government conditionally approved the development plan for the Garden Hill oil and gas development on the Port au Port Peninsula in November 2001. Pre-production work is continuing at the field and production should commence in 2002. The field's operator, Canadian Imperial Venture Corporation, estimates that the southern portion of the Garden Hill field may contain between 70 and 130 million barrels of oil equivalent.

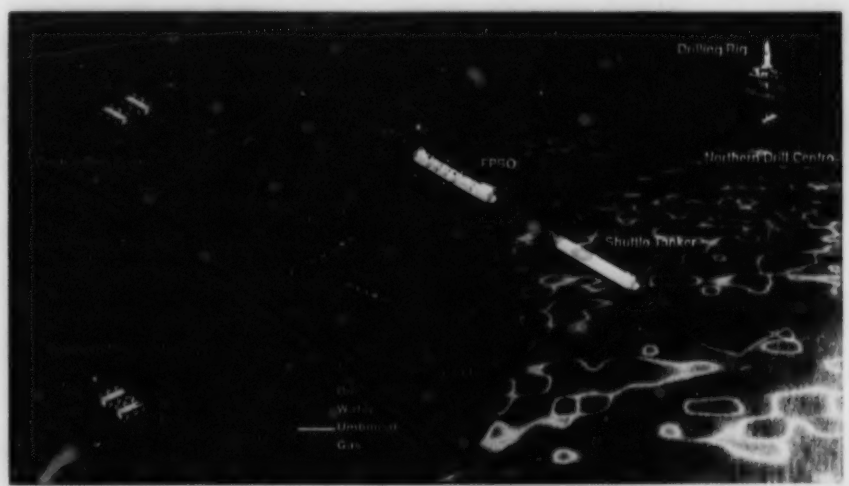
Exploration

The primary focus of offshore exploration in both 2000 and 2001 was the collection of seismic data in the Jeanne d'Arc Basin and in deeper water areas such as the Flemish Pass. This work is expected to yield three deep water exploration wells starting in early 2003.

The arbitration hearing on the offshore boundary dispute between the province and Nova Scotia concluded in November 2001 and a decision from the arbitration tribunal is expected in March 2002. A more in-depth discussion of exploration activity is provided on page 12.

Global Networking

In 2001, the province was admitted into the Energy Council of America joining Venezuela and Alberta as the only international affiliates of this organization. Membership will provide stakeholders with insight into each others' energy policies, issues, and development strategies. In January 2002, St. John's was admitted into the World Energy Cities Partnership (WECP), a network of eleven "energy cities" from around the world. The WECP provides members with a worldwide network of support services and resources, as well as, the opportunity for businesses to capitalize on development opportunities.



Drawing: Husky Oil Operations Ltd.
Conceptual drawing of oil production from White Rose

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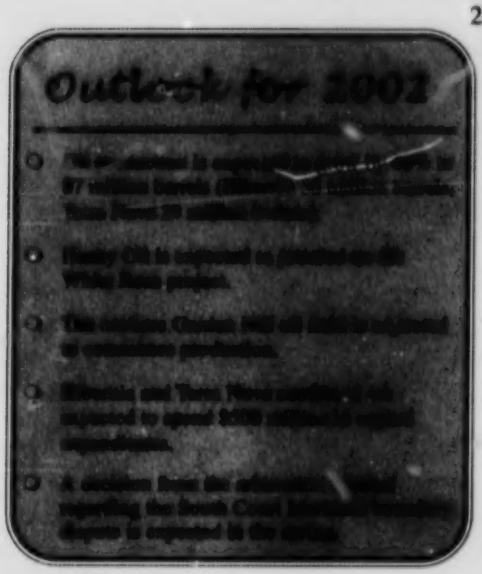

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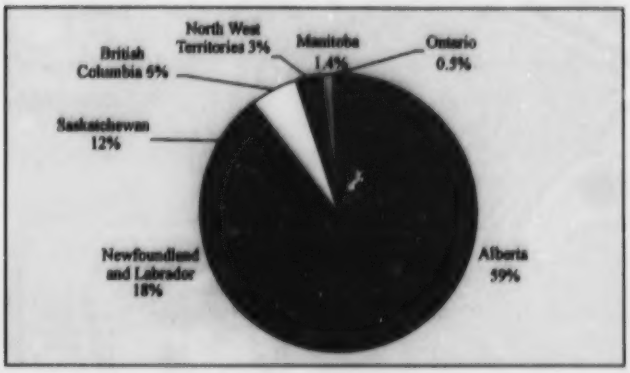

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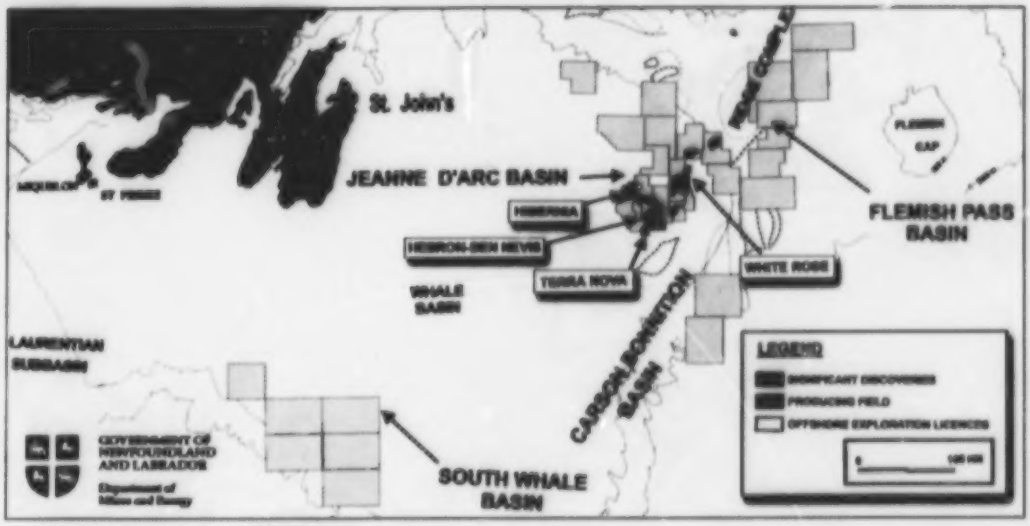
Drawing: Husky Oil Operations Ltd.
Conceptual drawing of oil production from White Rose

Feature: Oil and Gas Exploration

Petro-Canada intends to spud 3 wells in deep water areas, at a cost of about $40 million per well



Credit: Department of Mines and Energy
This map illustrates offshore licences in the Grand Banks area but does not include significant gas discoveries offshore Labrador

In the early 1960s, surveys detected hydrocarbon formations beneath the Continental Shelf off the coast of the province. Offshore oil drilling began in 1966 and was stimulated in the 1970s by the global shock of high oil prices and National Energy Policy incentives. In 1979, the oil patch was rewarded with the discovery of a large oil field—Hibernia. In the next six years, several other major discoveries were made, including Terra Nova, White Rose, and Hebron-Ben Nevis (see map). Exploration spending peaked in 1985 at $646 million and declined thereafter due to the removal of federal incentives, lower oil prices, and a shift in emphasis towards development of known commercial deposits.

The launch of the Hibernia project, combined with offshore Nova Scotia gas developments, among other factors, provided a significant stimulus in the late 1990s. Land sales in the Atlantic region have attracted the attention of several key players, leading to a resurgence in exploration activity. Between 1995 and 2001, over 777,000 km^2 of seabed were surveyed off the province (about 158,600 km^2 in 2001), almost triple the total seismic collection between 1979 and 1994. Seismic data are used to identify and to refine the selection of drill targets. Improved company cash flows as a result of higher oil prices, together with better technology and indications that hydrocarbon formations exist further offshore, have created heightened interest in deep water areas such as the Flemish Pass.

Key Exploration Facts

- 127 exploration wells drilled - 23 significant discoveries
- Land sales 1996-2001 - almost $700 million
- Exploration expenditures 1997-2001 - $600 million+
- Outstanding bid commitments - $600 million+

New Exploration Plays

The growing interest in deep water plays on the Grand Banks is consistent with activity elsewhere in the world as shallow water reserves decline. Technological advancements have increased drilling capability in water depths from 600 to 1,800 metres in the 1990s, and production is approaching depths of 3,000 metres. The Gulf of Mexico, Brazil, and West Africa currently account for about 85% of deep water developments.

The Newfoundland and Labrador/Nova Scotia offshore boundary arbitration decision is anticipated in March 2002. The tribunal's decision will establish a line to separate the offshore areas of the two provinces, and will be binding on both provinces. This decision will be significant as it will determine areas in which each province has jurisdiction as it relates to regulation, royalties and the collection of applicable taxes. Interest in the Laurentian Subbasin is expected to pick up once these issues have been settled.

Community Profile — Paradise

Paradise allows residents to take advantage of their close proximity to the capital city, while still retaining a rural lifestyle

Credit: Ronalda Steele
New housing developments for Paradise were valued at over $53 million in 2000 and 2001

First identified in the 1830s as a prime area for agricultural development, Paradise has grown considerably since 1971. Over the past 30 years, the town's population has more than quadrupled, from 2,270 to near 10,000 people. Population growth is outpacing all other areas in the region and is reflected in the growing number of new housing developments. In 2000 and 2001, over 400 new homes (valued at over $53 million) were constructed in the town. This represented 24% of new housing starts in the St. John's area and 15% of total provincial housing starts.

A Focus on Development

Residential housing development is expected to increase over the next several years with over 2,400 building lots approved for construction in the town. This new growth, combined with the expansion of the past several years, is reflected in increasing school enrolment and expanding road infrastructure.

Industrial activity in Paradise is concentrated in St. Anne's Industrial Park and adjacent areas along Topsail Road. Over the past two years, there have been more than 30 commercial and industrial developments in the town (valued at over $5.4 million). In addition to general service sector expansion, these developments have included firms specializing in services such as offshore oil supply, manufacturing, metal fabrication, construction, information technology, and transportation. Paradise is aggressively pursuing new commercial and industrial developments, by offering competitive land prices (including the new 64 acre Octagon Pond Industrial Park), and competitive taxation rates. The town is also promoting its proximity to St. John's, and its strategic location to nearby industrial parks, the Trans Canada Highway, and other major roads. The continued expansion and diversification of the economy in the St. John's area, combined with the rapid growth of the town's residential and industrial base, bodes well for the community's future.

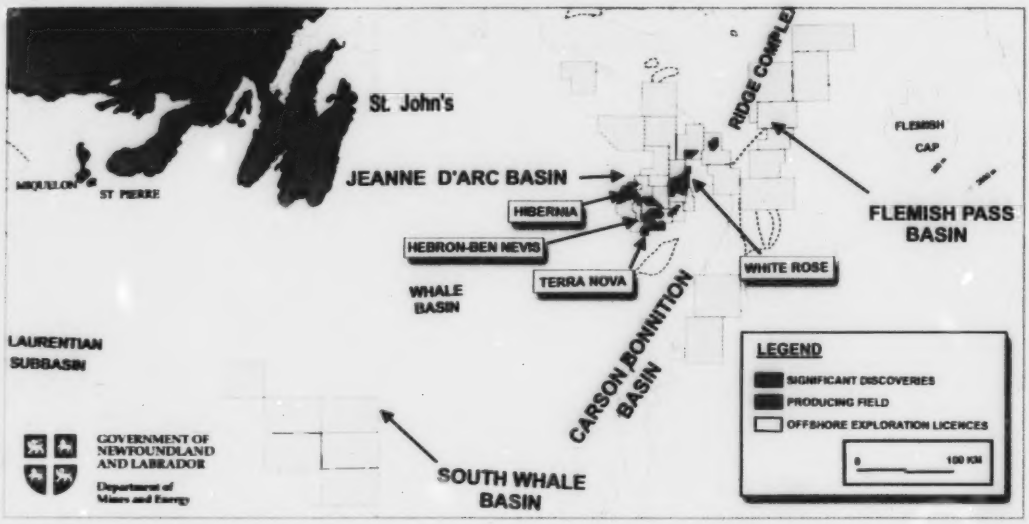
Community Indicators

	Paradise	Province
Population (1998)	9,680	545,362
Population Components (1998)		
School Age Children	30%	29%
Prime Labour Force (25-54)	52%	46%
Seniors (65+)	6%	12%
Education Attainment (1996)		
Completed post secondary	37%	30%
High school / some post secondary	32%	24%
Less than high school	31%	45%
Income (1998)		
Median personal income	$21,700	$14,700
Median family income	$37,400	$27,600
Education Enrolment		
1996	973	106,305
2001	909	90,167

Source: Community Accounts Database; Department of Education; Statistics Canada

Feature: Oil and Gas Exploration

Petro-Canada intends to spud 3 wells in deep water areas, at a cost of about $40 million per well



Credit: Department of Mines and Energy
This map illustrates offshore licences in the Grand Banks area but does not include significant gas discoveries offshore Labrador

In the early 1960s, surveys detected hydrocarbon formations beneath the Continental Shelf off the coast of the province. Offshore oil drilling began in 1966 and was stimulated in the 1970s by the global shock of high oil prices and National Energy Policy incentives. In 1979, the oil patch was rewarded with the discovery of a large oil field—Hibernia. In the next six years, several other major discoveries were made, including Terra Nova, White Rose, and Hebron-Ben Nevis (see map). Exploration spending peaked in 1985 at $646 million and declined thereafter due to the removal of federal incentives, lower oil prices, and a shift in emphasis towards development of known commercial deposits.

The launch of the Hibernia project, combined with offshore Nova Scotia gas developments, among other factors, provided a significant stimulus in the late 1990s. Land sales in the Atlantic region have attracted the attention of several key players, leading to a resurgence in exploration activity. Between 1995 and 2001, over 777,000 km^2 of seabed were surveyed off the province (about 158,600 km^2 in 2001), almost triple the total seismic collection between 1979 and 1994. Seismic data are used to identify and to refine the selection of drill targets. Improved company cash flows as a result of higher oil prices, together with better technology and indications that hydrocarbon formations exist further offshore, have created heightened interest in deep water areas such as the Flemish Pass.

Key Exploration Facts

- 127 exploration wells drilled - 23 significant discoveries
- Land sales 1996-2001- almost $700 million
- Exploration expenditures 1997-2001 - $600 million+
- Outstanding bid commitments - $600 million+

New Exploration Plays

The growing interest in deep water plays on the Grand Banks is consistent with activity elsewhere in the world as shallow water reserves decline. Technological advancements have increased drilling capability in water depths from 600 to 1,800 metres in the 1990s, and production is approaching depths of 3,000 metres. The Gulf of Mexico, Brazil, and West Africa currently account for about 85% of deep water developments.

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www.town.paradise.nf.ca

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Education Enrollment		
1996	973	106,205
2001	999	90,767

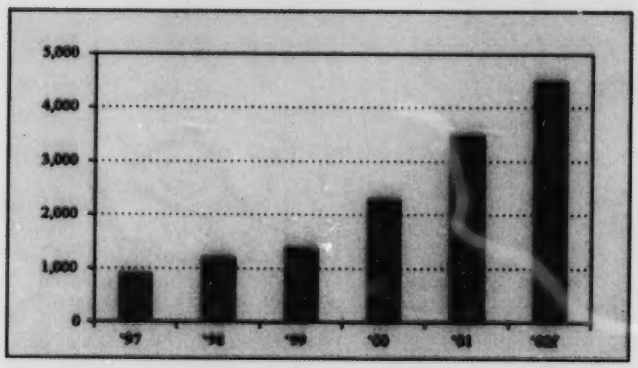
Source: Community Accounts Database, Department of Education, Statistics Canada

Customer Contact Centres

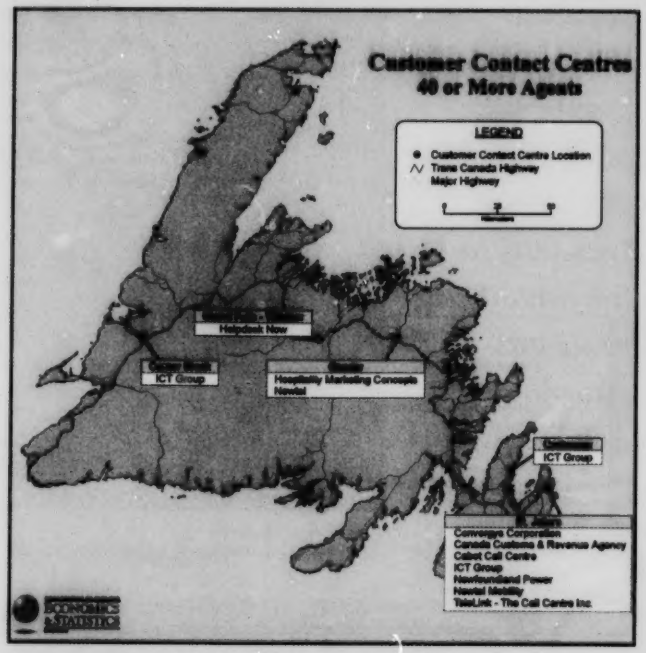
Employment in customer contact centres continues to grow

The customer contact centre industry continues to expand rapidly in the province. Industry surveys indicate that at peak periods in 2001, over 3,500 people were employed in this industry, up from less than 1,000 in 1997. About 28 centres (minimum 15 seats) currently operate in the province. Of these, 25 are operated by the private sector, which accounts for almost 90% of employment. The annual payroll of this industry is estimated at about $75 million.

The expansion of contact centres is primarily due to significant investments by U.S. and Canadian based companies, and through expansion of local companies (such as utilities, insurance companies and market research firms) into this industry. The accompanying map lists the location of some of the larger centres in the province. Plans for the latest centre were unveiled in February 2002 when ICT Group announced that it intends to establish a centre in St. John's by April 2002, employing another 1,000 workers by year end.



Source: Network Newfoundland and Labrador



Credit: Economics and Statistics Branch, Department of Finance

Advantages of Locating in Newfoundland and Labrador

Companies operating customer contact centres are increasingly attracted to the province for several reasons, including a skilled labour supply, advanced telecommunications capacity, competitive real estate and operating costs, and, for U.S. firms, a favourable currency exchange rate. Through Network Newfoundland and Labrador, a joint industry-government partnership that offers a one-stop shopping approach for investors, the province continues to pursue opportunities for expansion and diversification in this industry.

Labour constitutes up to 70% of a centre's total operating costs and is, therefore, a key decision making factor in establishing operations at a particular location. The province has a good supply of workers with skills suited for customer contact operations. Recent experience has shown that businesses operating in this area experience low labour turnover ratios relative to those elsewhere. Local wage rates are also competitive with most other locations in North America, and to ensure the best possible match between business demand and labour supply there are opportunities for training partnerships with local post secondary colleges.

IT Profile — Research and Development

R&D funding in Newfoundland and Labrador averaged over $100 million annually over the 1990s

Credit: David Hebbard - Courtesy of INSTRUMAR Ltd.
R&D activity at INSTRUMAR

Advances in research and development (R&D) lead to innovation and, ultimately, new economic opportunities. In this province, R&D funding over the 1990s averaged about $105 million annually, funded mainly by the federal and provincial governments (over 50% of the total), as well as by businesses and educational institutions. Over 50% of investment was allocated to Memorial University of Newfoundland and its affiliated institutes such as the Marine Institute, C-CORE, AquaNet, and the Oceans Sciences Centre.

Biotechnology R&D, an emerging activity in the province, is primarily focussed on marine applications. The biotechnology sector employs about 400 people, and R&D spending in 1999 was estimated at $3.5 million. Biotechnology R&D is expected to increase over the next several years. In 2005, the province will host the International Marine Biotechnology Conference, marking the first time this conference will be held in Canada. This is the only international conference to focus specifically on marine biotechnology. Organizers anticipate that 500 delegates from 35 countries will attend this event which will provide an excellent networking opportunity for local industry.

Three successful local firms actively involved in the R&D sector are profiled below.

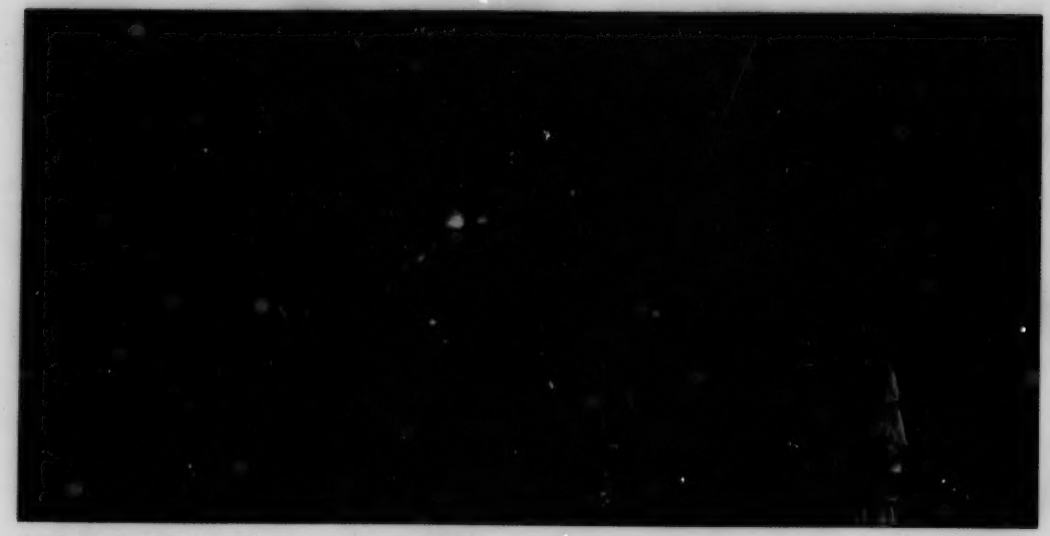
INSTRUMAR Ltd. is a supplier of real-time information systems for the aerospace, polymer fiber, and ice detection industries. Founded in 1979, the company employs 48 people in R&D and production. INSTRUMAR plans to expand R&D activity related to advanced sensor technology in 2002, and has secured about $10 million in venture capital and federal research grants. The company expects to create 28 jobs during the R&D phase and an additional 250 jobs during commercial production.

The Genesis Group of Memorial University maintains two R&D divisions. Genesis Research identifies and markets new technologies, ranging from cancer treatments to Internet software, and transfers these technologies to the private sector. Spin-off companies include AF Protein Inc. and Nova Lipids Inc. The other division, Genesis Bio-East, is a network of over 50 businesses, government, and academic institutions which facilitates the strategic growth of biotechnology in the province.

Canadian Centre for Marine Communications (CCMC), established in 1989, collaborates with the Canadian information and communications technology industry in the development of products and services for global marine markets. CCMC facilitates partnerships between industry, research centres, academia, and government in support of the growth of the Canadian marine technology sector. Acting as an investment partner, CCMC positively impacts both the technical and commercial success of this industry.

Cultural Activities

Markets for cultural industries are diverse and include both local and export opportunities



Credit: Photographer Justin Hall - Courtesy of Passage Films Inc.
The recent filming of major movies (e.g., *The Shipping News*, *Random Passage* and *Rare Birds*) has heightened the profile of the provincial film industry and the province itself. The photo above is from *Random Passage* which aired on CBC in January 2002 and averaged 1.2 million Canadian viewers for the duration of the mini series broadcast. This film was based on local author Bernice Morgan's books *Random Passage* and *Waiting for Time* which describe the struggle of early settlers. Current plans for this series include international marketing. Morgan's books have been translated and are selling well in Germany.

Craft, Gift and Apparel

Survey data from the craft industry indicate that the value of production is about $38 million, up substantially from $10 to $12 million ten years ago. This growth can be attributed to several factors including: increased use of technology in marketing and production; a rise in tourist demand for crafts; the development of a core group of skilled, experienced professionals; and continued support from federal/provincial governments and the industry association. An estimated 2,000 people are employed in craft production.

The provincial government uses the *Crafts of Character* program (www.craftsofcharacter.com) to promote local products at trade shows and through other marketing tools. This program promotes the distinctive quality of local products to national and international markets, and supports companies in the development of export capability. The program is supported by an online database for wholesale buyers of craft products.

In March 2001, the Craft Council of Newfoundland and Labrador became the first craft industry association of its kind in Canada to launch an oniine store (www.craftcouncil.nf.ca). The store features over 200 items and has experienced brisk traffic. Most sales have been to customers in Canada, but purchases have been made from as far away as Denmark, Australia and South Korea.

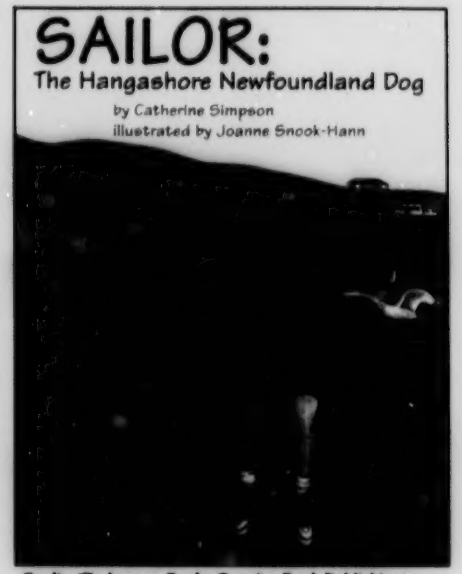
Further industry improvements are being considered and stakeholders recently released a development strategy for the craft industry. This study contained recommendations spanning eight areas: training; product development and production; design; marketing; communications; business and technology; retailing; and support services. This report provides the industry with a clear set of goals to facilitate future growth.

Book Publishing

Latest data from Statistics Canada indicates that 31 new titles were published in the province in

1998/99 and 30 books were reprinted. In addition, almost 760 titles were still available in the market from previous publication years.

Book publishing serves as a means of preserving the culture of Newfoundland and Labrador from generation to generation, formerly passed on by word of mouth. While the hallmark of the industry remains in cultural and literary works, expansion has also occurred into the educational market. Breakwater Books recently developed a language arts series featuring the work of local authors called *Land, Sea and Time* for the provincial high school program. The company is also developing religious education resources for elementary grades. In the last decade, the publishing industry has also expanded into educational software and multimedia products as well as numerous travel guidebooks and children's books.



Credit: (Tuckamore Books-Creative Book Publishing)
Sailor: The Hangashore Newfoundland Dog, a children's story centred around the famous heroics of the Newfoundland Dog, is presently in its third printing.

Heritage Industries

The past decade has seen a substantial expansion of heritage attractions in the province. Heritage is becoming an increasing part of the province's tourism product and an important contributor to regional economies. Heritage industries are generally linked to historic and archaeological sites, museums, archives and other unique sites and buildings that have been prominent in the province's culture and history.

The number of community museums and archives has expanded considerably over the last decade, rising from about 63 operations in 1992 to over 130 today. The quality of these facilities has also improved mainly due to government support for conservation, interpretation and exhibit development. The expansion of "living history" initiatives complements these facilities. Many of these are closely linked to museum activities and serve to enrich a visitor's experience. Over the past five years, 43 living interpretation projects have been offered in the province including, the "Faces of Fort Royal" at Castle Hill and the "Summer In The Bight" festival in Trinity Bight.

The province's community museums receive almost 300,000 visitors a year. This is in addition to an average of over 250,000 visitors to provincially and federally operated heritage sites and attractions.

Heritage tourism infrastructure has expanded considerably due to the support of government, volunteers, development groups and historic societies, and through corporate sponsorships. Selected major investments are presented in the table below. In 2002, work will continue on "The Rooms", an over $47 million cultural facility. This building, located in St. John's, will be the permanent home for provincial artifacts, archival materials and local art (see picture, page 28). The facility is expected to open in 2004. In addition, the results of an industry study to value the contribution of heritage and the arts to the provincial economy will be released in Spring 2002.

Selected Heritage Infrastructure Developments Over The Past Decade

Colony of Avalon, archaeological site and centre (Ferryland)
Labrador Interpretation Centre (North West River)
Norstead Replica Viking Port (L'Anse aux Meadows)
Matthew Replica and Interpretation Centre (Bonavista)
Barbour Living Heritage Village (Newtown)
Joseph R. Smallwood Centre (Gambo)
Banting Memorial Centre (Musgrave Harbour)
Hawthorne Cottage National Historic Site (Brigus)
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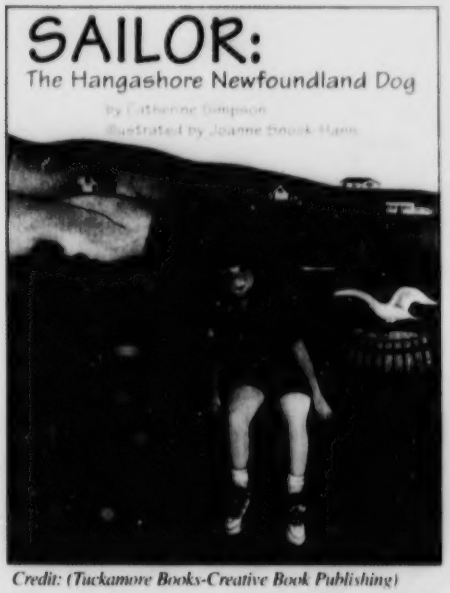

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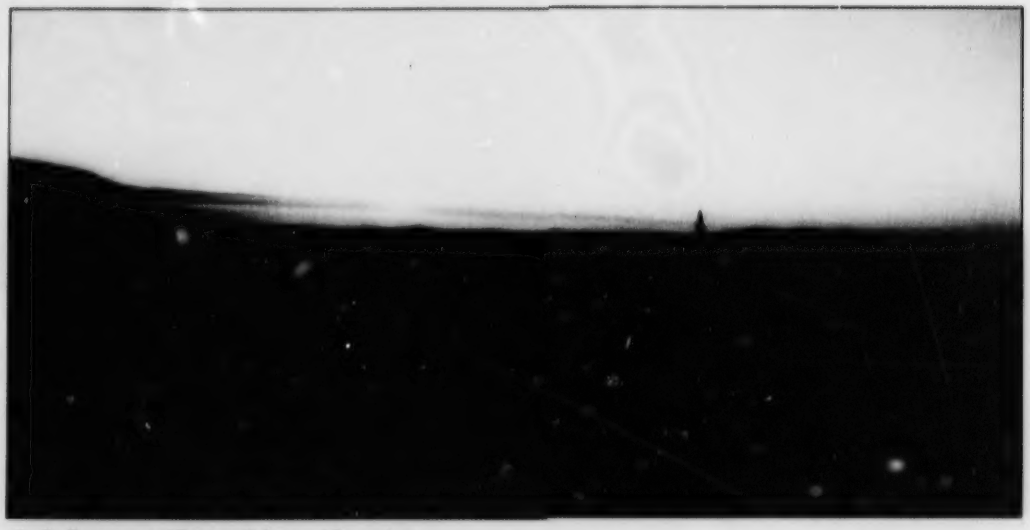
Tourism

Tourism has increased significantly in the province over the past five years



Credit: Department of Tourism, Culture and Recreation
Snowmobiling in Labrador

Performance in 2001

Tourism activity grew for the fifth consecutive year in 2001 despite the economic slowdown and aftermath of September 11. Non-resident visitors increased by 0.3% to a record 427,700, and associated spending grew by 1.1% to an estimated $291 million. A significant gain in the number of cruise ship visitors offset a decline in air and auto visitors.

The growth in tourism has been impressive in recent years: since 1998 the number of visitors has increased by 12% and associated expenditures by 22%. This performance is attributable to many factors including: special celebrations (e.g., Viking celebration in 2000), which heightened awareness of the province's tourism product; enhancements in tourism-related infrastructure and services; and consistent, targetted marketing campaigns. Resident and non-resident expenditures now exceed $620 million and directly represent about 2% of provincial GDP.

Cruise, Auto and Air Visitors

Cruise ships made 69 port calls in 2001, resulting in 24,397 passenger visits. This translated into an estimated 19,760 unique cruise visitors, almost double the 2000 figure of 9,970. Associated spending on shopping, restaurants, and shore excursions was an estimated $1.8 million.

St. John's and Corner Brook accounted for 77% of the cruise passenger visits while the balance was spread among 18 other communities. St. John's has experienced remarkable growth in cruise ship activity over the past decade, rising from an average of 3 port calls and a little more than 1,000 passenger visits in the mid-1990s, to 17 port calls and over 10,000 visits in 2001. With this in mind, the St. John's Port Authority recently commissioned a study which will provide for long-term development planning for

Outlook for 2002

- Tourism is expected to strengthen. Recent releases of significant film and television projects should raise awareness and, thereby, promote visitation.
- Canadians are expected to travel more within Canada for safety reasons and because of the lower U.S. exchange rate.
- *Access North–Labrador 2002* celebrations will raise awareness of Labrador as a tourism destination.
- The Trans Labrador Highway linking Red Bay to Cartwright will be completed.
- Another strong year is anticipated for cruise ships and convention bookings (particularly in St. John's).
- St. John's will host the Atlantic Canada Cruise Association's annual Symposium in June.
- Restructuring in the airline industry will continue to pose challenges.
- The province will develop a new marketing strategy for 2002 and beyond.

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tourism. The report will consider the impact of tourism on the port and make recommendations for infrastructure improvements.

Non-resident auto visitors totalled 141,675 in 2001, a drop of 5.5% from 2000. The decrease in visitors is believed to be linked to the replacement of the fast ferry (*Max Mols*) used in the summer of 2000 with the slower, conventional ferry (*Leif Ericson)* in 2001. The faster ferry may have attracted more spontaneous vacationers from the Maritimes in 2000.

Air visitors declined marginally by 0.1% last year to 266,276. Prior to September 11, air passenger traffic had been up by more than 8% on a year-over-year basis. However, with the disruption in air travel surrounding September 11, the global economic slowdown, and the loss of capacity associated with airline restructuring, activity fell by almost 20% in the last four months of the year.

The events of September 11 also resulted in the province hosting 13,000 unscheduled air visitors following the closure of North American airspace and the diversion of Trans Atlantic flights en route from Europe. Although not included in official tourism data, most visitors did engage in activities such as shopping, dining, and sightseeing. The future impact of this on the tourism industry is hard to predict, but suffice it to say that most visitors were thoroughly impressed with the hospitality and this was captured and shown widely by international media.

Labrador Celebration

The prominence of Labrador in the tourism market will be boosted this year with the province's fifth special celebration since 1997. Titled *Access North ~ Labrador 2002*, the celebration has four elements: a commemoration of the 250th anniversary of the Moravian Missionaries in Labrador; events designed to promote the newly completed snowmobile trail system; the re-establishment of a Labrador-specific marketing program; and various community led events. Access to this region has improved due to the construction of the snowmobile trail and Trans Labrador Highway, and increased capacity on the Labrador Straits ferry.

Credit: Tineke Gow
Gover House, in Trinity, is a four star vacation home. Six years ago, high quality accommodation businesses with star grades between 3 and 4.5 numbered 38. Today, 178 businesses hold this coveted distinction.

Marketing

A strong marketing program is planned for 2002. In addition to the award winning campaigns that the province has run in recent years, other initiatives include a new non-resident winter advertising campaign which promotes skiing and snowmobiling. Government has also been working to maximize opportunities surrounding the release of several movies recently filmed in the province, and is keen to market to travel media and tour operators. The films—*The Shipping News*, *Random Passage*, and *Rare Birds*—although not produced with the prime intent of encouraging tourists, enhance awareness and appeal of the province as a destination. The Canadian editorial print coverage to date for *The Shipping News* alone is valued at over $1 million. In addition, calls to the province's tourism enquiry line increased significantly after the airing of *Random Passage* on CBC television in January 2002.

Mining

The mining industry, particularly iron ore, was adversely impacted by the global economic slowdown in 2001

Credit: Department of Mines and Energy
Gold mining at Hammerdown

The mining industry was impacted significantly by the global economic downturn in 2001. The value of mineral shipments was about $815 million, down by about 16% from 2000, and employment declined by 5.5% to about 2,600.

Iron Ore and Gold

Iron ore, which accounts for about 93% of the value of the mining industry, was down by almost 18% in terms of volume and 16.3% in terms of value. The bulk of the decline occurred in the second half of the year, a trend that was consistent with weaker markets. Motor vehicle production in Canada, for example, was down by 9% from 2000.

Weak markets in 2001 also contributed to a decision by the Iron Ore Company of Canada (IOCC) at Labrador City to defer the balance of its multi-year $650 million capital investment program initially scheduled for completion in 2003.

Gold production, the second largest mineral mined in terms of value, fell by 11% in 2001 and the value of production declined by 8.7% due to lower prices. The closure of the Nugget Pond mine, due to lower ore grade and reduced reserves, was a major contributing factor behind these declines.

Mineral Exploration

Exploration expenditures in 2001 totalled $18.2 million, down from $23 million in 2000. During 2001, 15,663 claims were staked compared to 12,969 in 2000. This increase is the result of more exploration for nickel, platinum-pallidum and iron ore in Labrador, gold in central Newfoundland, and base metals in eastern and central Newfoundland.

The majority of current exploration programs are being undertaken by junior exploration companies, many of which are locally based. In addition, several major mining companies, such as Falconbridge Limited, Noranda Inc., Barrick Gold Corporation, and Hudson Bay Exploration and Development Company Ltd. were active during 2001.

New Operations

The mining industry continues to see new operations come on stream.

Hammerdown (Gold) This mine, owned and operated by Richmont Mines, began commercial production in July 2001. Ore from the Hammerdown mine is processed at the Nugget Pond mill on the Baie Verte Peninsula. At full production, Hammerdown is expected to employ 80 people and operate for four years.

Argentia (Stone Plant) Epoch Rock Inc. has operated a state-of-the-art stone processing facility since November 2001. The plant produces high quality granite slabs for export to the United States for manufacturing of various products including countertops and tiles. The operation currently employs 30 people, and is expected to employ up to 60 people at peak production.

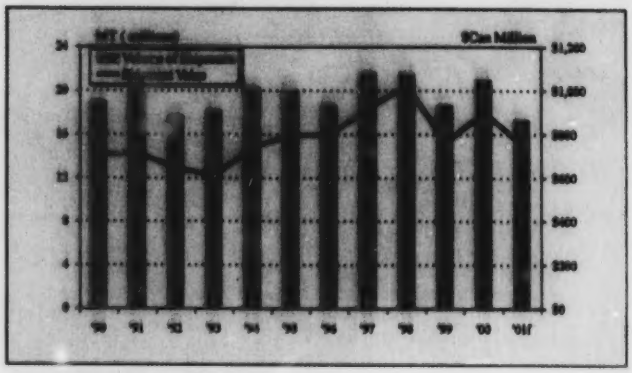
Hopedale (Stone Plant) The Labrador Inuit Development Corporation is scheduled to begin operating an anorthosite processing plant in the summer of 2002. The product will be exported to Europe for the production of headstones and furniture. The plant will employ approximately 20 people at peak production.

Duck Pond (Copper-Zinc) In late 2001, Aur Resources Inc. of Toronto, entered into an agreement to purchase this site from Thundermin Resources Inc. and Queenston Mining Inc. The project's Environmental Impact Statement was approved in January 2002, and the owners are proceeding with development subject to the submission of an Environmental Protection Plan. Construction is slated to begin in 2002, with first production scheduled for 2004. This project is expected to employ up to 165 people at peak production.

Voisey's Bay

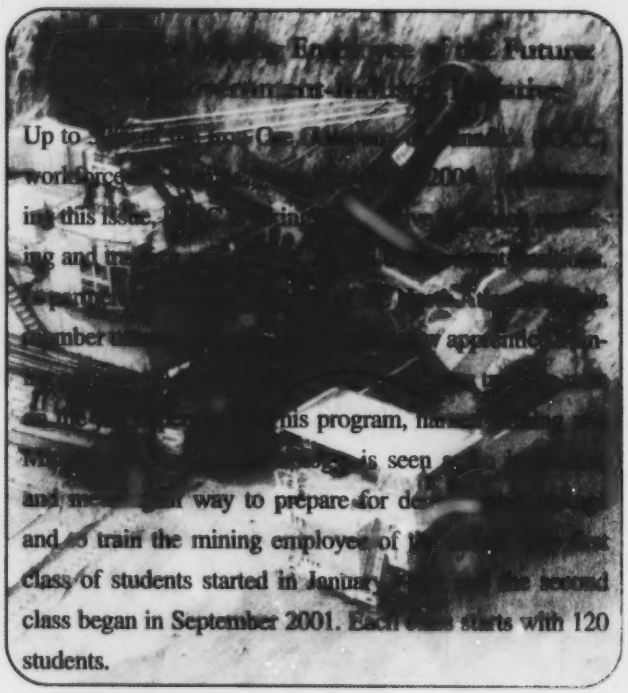
Negotiations between the province and Inco on the development of the Voisey's Bay nickel, copper and cobalt deposit are ongoing. The project, as currently envisaged, would include an open pit and underground mining operation in Labrador, and a processing facility at Argentia. Inco intends to build a pilot hydrometallurgical facility that will be followed by a commercial facility.

Iron Ore Shipments Decreased in 2001



Source: Department of Mines and Energy

Related talks with aboriginal groups are also continuing. The provincial and federal governments are negotiating the Voisey's Bay Chapters in the respective Innu and Inuit land claims agreements as well as an Environmental Management Agreement. Inco is negotiating Impact and Benefits Agreements with the Labrador Inuit Association and Innu Nation.



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Mining

The mining industry, particularly iron ore, was adversely impacted by the global economic slowdown in 2001

Credit: Department of Mines and Energy
Gold mining at Hammerdown

The mining industry was impacted significantly by the global economic downturn in 2001. The value of mineral shipments was about $815 million, down by about 16% from 2000, and employment declined by 5.5% to about 2,600.

Iron Ore and Gold

Iron ore, which accounts for about 93% of the value of the mining industry, was down by almost 18% in terms of volume and 16.3% in terms of value. The bulk of the decline occurred in the second half of the year, a trend that was consistent with weaker markets. Motor vehicle production in Canada, for example, was down by 9% from 2000.

Weak markets in 2001 also contributed to a decision by the Iron Ore Company of Canada (IOCC) at Labrador City to defer the balance of its multi-year $650 million capital investment program initially scheduled for completion in 2003.

Outlook for 2002

- The value of mineral shipments is expected to decline marginally to $790 million due to weak markets.
- Negotiations toward a Voisey's Bay agreement will continue.
- Investment expenditures of $34 million are expected in 2002.
- Exploration expenditures are expected to be moderate due to reduced commodity prices and cash flows.

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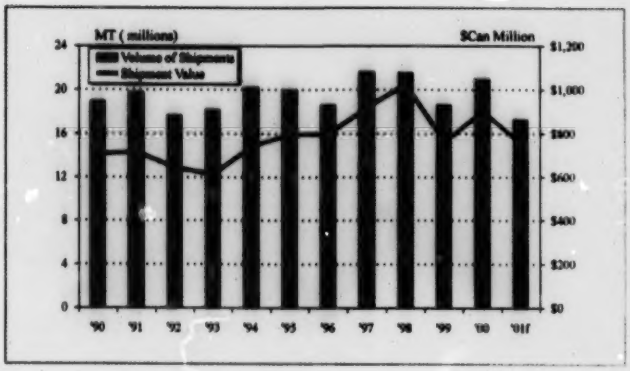

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Training the Mining Employee of the Future: A Joint Government-Industry Initiative

Up to 50% of the Iron Ore Company of Canada's (IOCC) workforce are eligible for retirement by 2004. In addressing this issue, IOCC is taking a proactive approach recruiting and training new workers to fill these vacant positions. In partnership with the College of the North Atlantic and its member unions, the company began a new apprentice training program in 2001 which combines in-class training with on the job experience. This program, named Mining and Mineral Processing Technology, is seen as an innovative and meaningful way to prepare for demographic change and to train the mining employee of the future. The first class of students started in January 2001 and the second class began in September 2001. Each class starts with 120 students.

Fishery

Crab, shrimp and cod accounted for 81% of total landed value in 2001

Credit: Department of Fisheries and Aquaculture
Aquaculture grow-out pen at St. Alban's Bay

Industry Performance

Weaker markets resulted in a reduction in fish landings and landed value in 2001, however, fishing industry performance remained relatively strong compared to recent history. While the landed volume of 249,000 tonnes was down by 7% from 2000, landings remained on par with the average of the previous four years. Similarly, the landed value of $489 million was down by 14% from 2000, but was the third highest ever recorded and was well above the average of $400 million in the late 1990s.

Outlook for 2002

- Fish landings are projected to increase to 262,000 tonnes, led by a recovery in shrimp landings.
- Market conditions are expected to remain on par with 2001.
- Employment is expected to stay around 15,000.
- Aquaculture production is projected to grow by 40% to 7,500 tonnes, and production value is expected to top $30 million.
- Conversion of a processing facility at Twillingate to process shrimp is expected to be completed.

Fisheries employment averaged 14,600 in 2001, down from 15,200 in 2000 and well below the employment of 20,800 prior to the 1992 cod moratorium. Fish harvesting employment accounted for the decline in 2001, dropping by 1,400 to 7,400 person years. This was offset somewhat by an increase in fish processing employment of 800 person years to 7,200. The decline in industry employment over the 1990s is largely the result of a shift to a more capital intensive shellfish fishery from the relatively labour intensive groundfish fishery. This shift impacted both the harvesting sector (which requires fewer vessels and fewer fishers) and the processing sector (the number of licensed facilities is now one-half that of 1992). Employment levels were also impacted by labour adjustment measures (e.g., licence and early retirement programs) funded through fishery compensation programs.

Shellfish

Crab and shrimp are now the two most important species in the industry, accounting for about one-half of landed volume and 75% of landed value last year. Crab landings grew by 2% in 2001 to 57,420 tonnes, the second highest level ever recorded (record landings of 69,300 tonnes were recorded in 1999).

The landed value of crab, impacted by weak export markets, declined by 17% to $218.9 million. In 2001, the market price for crab sections in the U.S. declined by 14% from 2000 and is now at its lowest level in four years.

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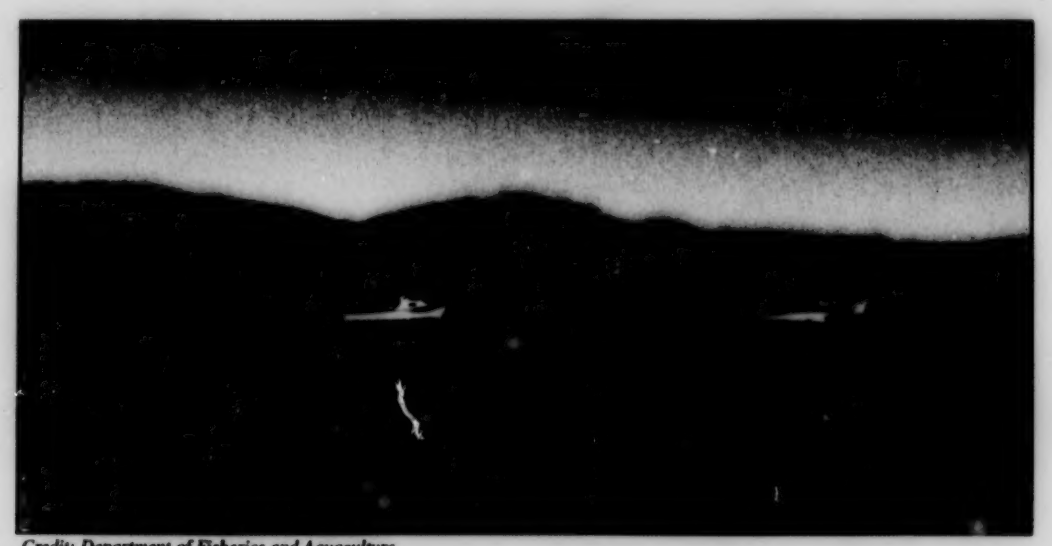

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Shrimp landings in 2001 totalled 69,900 tonnes, down by almost 10% from record landings in 2000. This decline was due to weak market conditions which resulted in the closure of the inshore northern shrimp fishery for close to three months. While the offshore and Gulf shrimp fisheries have been in place for many years, the inshore northern fishery is relatively new (having begun in 1997) and is experiencing strong growth. Since 1997, the number of harvesting licences increased from 47 to 380, the number of processing plants increased from two to 12, and private sector investment in the industry totalled $200 million.

The landed value of shrimp in 2001 was $142.5 million, a decline of 16% from 2000. Shrimp value declined by a greater degree than volume mainly as a result of a 22% decrease in the price of small shrimp.

Newfoundland and Labrador is now the largest producer of cold-water cooked and peeled shrimp in the world. The European market for cold-water shrimp is large. The United Kingdom, for example, represents about half the market for cooked and peeled shrimp in the world. While Europe is the major market for Canadian shrimp (followed by the U.S.), exports to that market are subject to a 20% import tariff. This effectively constrains Canadian producers' access to that market while other countries, such as Iceland, Norway, Greenland and the Faroe Islands, have preferred market access and face little or no tariff. Provincial shrimp producers and trade officials are negotiating with European countries to reduce this tariff.

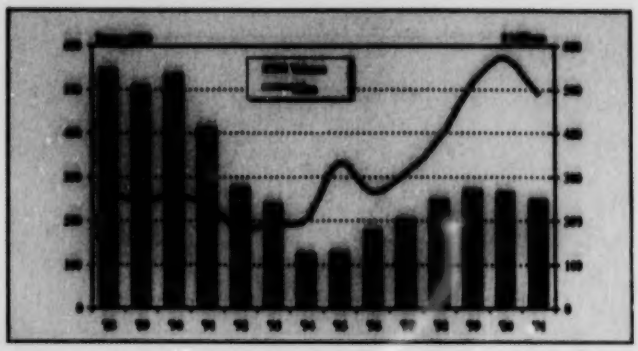
Cod

Cod landings in 2001 were 21,200 tonnes, down from 30,400 tonnes in 2000. This decline was due, in large part, to the lower commercial quota for NAFO area 3Ps. In terms of landed value, however, cod remains the third largest fishery in the province. The landed value was $32.7 million, or 7% of total landed value.

Processing Sector Structure

Technological advancement has been ongoing within the processing sector. Prior to 1992, there were 240 licensed fish processing facilities, with the ten largest companies controlling over 60% of the total production. By 2001, there were 124 licensed facilities, and the ten largest companies controlled over 75% of the production. Among current processors in the province, Fishery Products International maintains the largest production volume, followed by the Barry/Seafreeze Group, the Quinlan Group, and Daley Brothers.

Landings and Landed Value

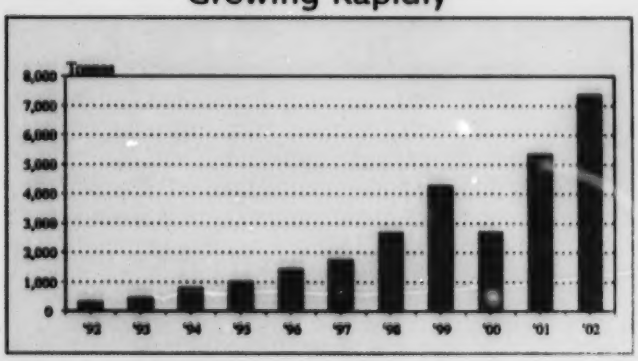


Source: Department of Fisheries and Aquaculture; Economics and Statistics Branch, Department of Finance

Aquaculture

Production in the aquaculture sector is experiencing rapid growth. Up to 1995, less than 1,000 tonnes were produced annually, whereas in 2001, production was almost 5,400 tonnes. Production value in 2001 was $20 million, up from $18 million in 1999. There are approximately 500 people employed in aquaculture, and the focus of production is currently on blue mussels, Atlantic salmon, steelhead trout, and cod. Secondary, or value-added, processing of aquaculture products is increasing. Currently, for example, about 70% of all farmed mussels undergo secondary processing.

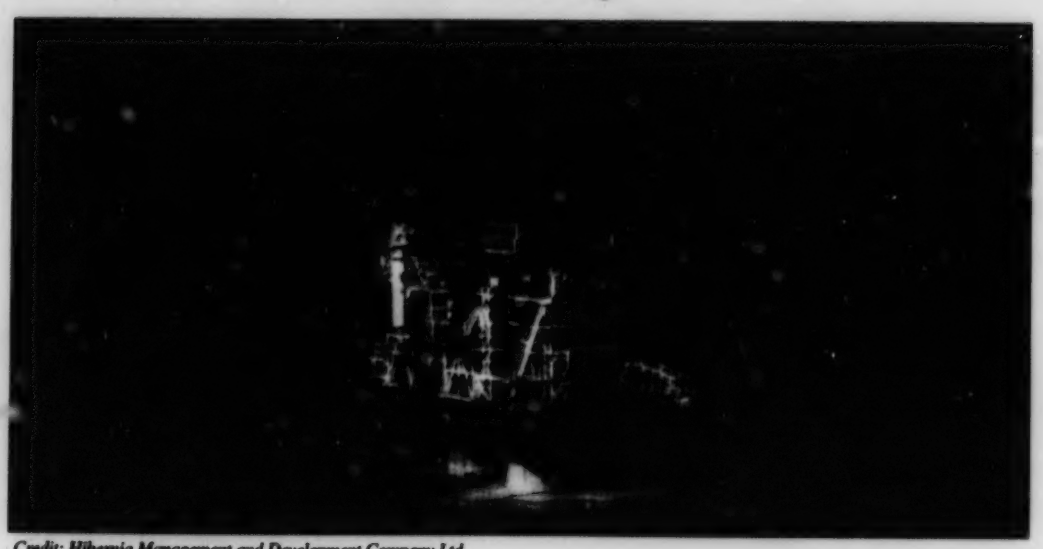
Aquaculture Production Growing Rapidly



Source: Department of Fisheries and Aquaculture

Contribution of Oceans Activity

Oceans-related industries account for 23% of employment and over 26% of GDP



Credit: Hibernia Management and Development Company Ltd.
The Hibernia Oil Production Platform

Newfoundland and Labrador has developed from its association with the ocean. Over 90% of the province's population live adjacent to or within a few kilometres of the ocean. In this context, it is important to understand the economic significance of ocean-related industries and their contribution to the economy. In 2001, the Department of Finance, in collaboration with Fisheries and Oceans Canada and the Department of Fisheries and Aquaculture, estimated the economic value of marine, coastal and ocean resources.

The study area was classified into three broad categories: the coastline; inshore and nearshore waters; and the offshore to the edge of the Continental Shelf. The study focused on the oceans sector as an economic resource and included two broadly based industrial groupings: industries that use/extract ocean resources, including offshore oil production, the fishery, and tourism; and industries that use the ocean as a medium of movement, operation or innovation, including marine construction, operations and shipping, and marine-related technology, equipment and service industries. The analysis also included public sector departments and agencies with oceans-related responsibilities.

The economic impacts of oceans-related activity were measured using Gross Domestic Product (GDP), labour income (wages and salaries plus supplementary labour income) and employment. The period 1997-1999 was used as the reference period for the study. Economic impacts were separated into three categories:

Direct impacts: labour income and business profits earned as a result of working directly in oceans-related activity;

Indirect impacts: generated when other firms supply goods and services to oceans-related activity;

Induced impacts: generated when the direct and indirect employees and business owners spend their incomes in other areas of the economy which leads to increased retail sales, housing starts and other expenditures.

GDP ($Billions)	$1.38	14.1%	$2.59	26.5%
Labour Income ($Billions)	$0.65	11.6%	$1.22	21.8%
Employment (person years)	24,800	12.7%	44,400	22.6%

Note: Total impact is the sum of direct, indirect and induced impacts.

Gross Domestic Product

The direct impact of oceans-related activity on GDP averaged $1.38 billion over the 1997-1999 period, or about 14% of total economic activity. Total GDP impact, including direct, indirect and induced impacts, averaged $2.59 billion over the period, or 26.5% of total economic activity.

The most significant private sector industries, in terms of total GDP impact, were offshore oil (production, development and exploration) at 11.9% of GDP and the fishery (harvesting and processing) at 8.2%. Total public sector oceans-related activity contributed 2.2% of GDP.

Labour Income

Direct labour income from oceans-related activity averaged about $650 million from 1997 to 1999, or 11.6% of total labour income. The total labour income impact averaged about $1.22 billion over the period, or 21.8% of total labour income in the province.

The most significant private sector industries included in this study, in terms of total labour income impact, were the fishery at 8.5% and offshore oil activity at 5.2%. Total public sector oceans-related activity contributed 3.6% of labour income.

Employment

Direct person years of employment from oceans-related activity averaged about 24,800 from 1997 to 1999, or 12.7% of total employment. The total employment impact averaged about 44,400 over the period, or 22.6% of total provincial employment.

Credit: Lynn Bryant
Fishing vessels at port in St. John's Harbour

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- [redacted]
- [redacted]
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  Also included in the public sector are entities such as the Marine Institute/Memorial University; research and development institutes; and the Canada-Newfoundland Offshore Petroleum Board

Summary of Economic Impacts
Oceans-Related Activity, 1997-99 Average
Newfoundland and Labrador

	Direct Impact		Total Impact	
Indicator	Value	% of Total Economy	Value	% of Total Economy
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Oceans-Related Activities

- **Private Sector**
  Oil and gas, fishery, aquaculture, shipbuilding, marine tourism and recreation, marine transportation and oceans-related technologies

- **Public Sector**
  21 federal departments and agencies. Larger entities include: Fisheries and Oceans Canada; Marine Atlantic; Transport Canada; Atlantic Canada Opportunities Agency; and Department of National Defence

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Manufacturing

Food manufacturing is the largest component of the manufacturing industry, making up 37% of total shipments in 2001

Credit: Courtesy of Purity Factories Ltd.
Purity Factories Ltd. produces a wide variety of traditional Newfoundland food products

Manufacturing shipments totalled $2.2 billion in 2001, on par with 2000. Employment averaged 16,400, up from 16,000 in 2000, led by gains in the fish processing sector. In recent years, the industry has benefitted from capital investment, a focus on the manufacture of specialized goods, and government programs such as Economic Diversification and Growth Enterprises (EDGE). Investment has averaged almost $150 million annually since 1996, up from $68 million in the early 1990s. About 80% of investment is for machinery and equipment purchases which improve capacity and productivity.

The Alliance of Manufacturers and Exporters is working proactively with government to address the impact of demographic change. Industry surveys indicate that certain shortages may occur as this industry grows and workers retire. This work, while still preliminary, is expected to focus on increasing the amount of skilled labour for the industry.

Food Manufacturing

Food manufacturing is the largest component of the manufacturing industry, amounting to $800 million in 2001. While seafood constitutes 77% of total food manufacturing, other manufacturers have also experienced success.

Murray's Meats Limited has expanded rapidly since its founding in 1977. The company employs up to 75 people at peak production, manufacturing processed ham, turkey, sausage, bologna, and bacon products previously available only through importation. The company was granted EDGE status in 2000 and, in 1995, the owners were named Entrepreneurs of the Year by the P.J. Gardiner Institute of Memorial University.

Brookfield Dairies Group, in business since 1926, is the largest dairy in the province. Brookfield had a record production year in 2001 and has exclusive national manufacturing arrangements with Yogen Fruz, Cadbury, Dairy Queen, and other major retailers. The company also exports to the U.S., Asia, and the Caribbean. Brookfield employs 250 people, and has won two provincial Export Awards (1991 and 1996).

Country Ribbon Inc. operates a livestock feed mill, chicken farm, and processing plant in the St. John's area. The company markets its products locally and to other areas of Canada. Over the past two years, Country Ribbon has invested heavily in capital improvements to increase productivity. The company employs about 350 people.

Outlook for 2002

- The value of shipments is expected to grow moderately.
- Capital investment is expected to exceed $126 million, with almost all spending intended for machinery and equipment.
- The EDGE program was broadened in late 2001 and will assist in attracting more investment and creating more jobs.

Community Profile — Triton

Triton's economic base is diversifying within and beyond the marine sector

Credit: Fishery Products International
Fishery Products International crab processing plant at Triton

www.nfcp.nf.ca/central/Triton/main.htm

First settled in the early 1800s, Triton, located in Notre Dame Bay, was incorporated in 1961. In 1980, four distinct communities—Triton West, Triton East, Card's Harbour, and Jim's Cove—amalgamated and formed the town of Triton.

Diversifying the Economic Base

Triton, with its many service sector businesses (e.g., restaurants, accommodations, grocery stores), serves as the local service centre for over 2,800 people in the surrounding area. Until the 1992 cod moratorium, Triton's economy was centered on the groundfish fishery. In 1997 and 1998, Fishery Products International, the owner of the local plant, invested $4 million to convert the facility to crab processing. This facility now employs over 400 people at peak production. Aquaculture is also expanding, with 30 approved mussel farm sites in the area. Triton Ocean Products, a locally owned company, recently opened a secondary mussel processing plant with plans to employ up to 70 people.

Triton's economic base is diversifying. The Triton Marine Service Centre, formerly a government-owned and operated vessel repair and holding centre, was privatized in 1994. The facility, now known as Universal Marine Ltd., employs up to 65 people and is involved in marine fabrication and boatbuilding. The centre can design and build vessels up to 100 feet in length. Expansion plans are now in place to include recreational vessel design and construction. DRL Coachlines, the provincial island-wide bus service, also has its head office and repair garage at Triton, employing 40 people locally and 120 across the province.

Triton is also developing recreational and tourism infrastructure. Among other initiatives, the town is in the second phase of developing a museum and interpretive centre which will display artifacts of local history as well as highlight the importance of natural resources in the community's economic and cultural development. The town also hosts an annual Capelin Cod Festival which attracts hundreds of people from across the province each year.

Community Indicators

	Triton	Province
Population (1998)	1,215	545,362
Population Components (1998)		
School Age Children	31%	29%
Prime Labour Force (25-54)	47%	46%
Seniors (65+)	9%	12%
Education Attainment (1996)		
Completed post secondary	9%	30%
High school / some post secondary	24%	24%
Less than high school	66%	45%
Income (1998)		
Median personal income	$15,400	$14,700
Median family income	$34,800	$27,600
Education Enrollment		
1996	146	106,705
2001	105	90,167

Source: Community Accounts Database; Department of Education; Statistics Canada

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Brookfield Dairies Group, in business since 1926, is the largest dairy in the province. Brookfield had a record production year in 2001 and has exclusive national manufacturing arrangements with Yogen Fruz, Cadbury, Dairy Queen, and other major retailers. The company also exports to the U.S., Asia, and the Caribbean. Brookfield employs 250 people, and has won two provincial Export Awards (1991 and 1996).

Country Ribbon Inc. operates a livestock feed mill, chicken farm, and processing plant in the St. John's area. The company markets its products locally and to other areas of Canada. Over the past two years, Country Ribbon has invested heavily in capital improvements to increase productivity. The company employs about 350 people.

Community Profile — Triton

Triton's economic base is diversifying within and beyond the marine sector

Credit: Fishery Products International
Fishery Products International crab processing plant at Triton

First settled in the early 1800s, Triton, located in Notre Dame Bay, was incorporated in 1961. In 1980, four distinct communities—Triton West, Triton East, Card's Harbour, and Jim's Cove—amalgamated and formed the town of Triton.

Diversifying the Economic Base

Triton, with its many service sector businesses (e.g., restaurants, accommodations, grocery stores), serves as the local service centre for over 2,800 people in the surrounding area. Until the 1992 cod moratorium, Triton's economy was centered on the groundfish fishery. In 1997 and 1998, Fishery Products International, the owner of the local plant, invested $4 million to convert the facility to crab processing. This facility now employs over 400 people at peak production. Aquaculture is also expanding, with 30 approved mussel farm sites in the area. Triton Ocean Products, a locally owned company, recently opened a secondary mussel processing plant with plans to employ up to 70 people.

Triton's economic base is diversifying. The Triton Marine Service Centre, formerly a government-owned and operated vessel repair and holding centre, was privatized in 1994. The facility, now known as Universal Marine Ltd., employs up to 65 people and is involved in marine fabrication and boatbuilding. The centre can design and build vessels up to 100 feet in length. Expansion plans are now in place to include recreational vessel design and construction. DRL Coachlines, the provincial island-wide bus service, also has its head office and repair garage at Triton, employing 40 people locally and 120 across the province.

Triton is also developing recreational and tourism infrastructure. Among other initiatives, the town is in the second phase of developing a museum and interpretive centre which will display artifacts of local history as well as highlight the importance of natural resources in the community's economic and cultural development. The town also hosts an annual Capelin Cod Festival which attracts hundreds of people from across the province each year.

Community Indicators

	Triton	Province
Population (1998)	1,215	545,302
Population Composition (1998)		
School Age Children	31%	29%
Prime Labour Force (25-64)	47%	46%
Seniors (65+)	9%	12%
Education Attainment (1996)		
Completed post secondary	9%	30%
High school / some post secondary	24%	24%
Less than high school	66%	45%
Income (1998)		
Median personal income	$15,400	$14,700
Median family income	$34,800	$27,600
Education Enrollment		
1996	146	106,205
2001	105	90,167

Source: Community Accounts Database; Department of Education; Statistics Canada

Construction

Employment in the construction industry was 10,900 in 2001, on par with 2000

Credit: Provincial Archives of Newfoundland and Labrador
Construction site of "The Rooms"

Residential

Housing investment totalled $543 million in 2001, up 5.4% from 2000. Of this total, about 70% or $380 million was targetted for renovations and conversions while the remaining 30% was spent on new home construction.

Housing starts grew by 22.5% in 2001 to 1,788 units. This was the highest number of starts since 1996 and was driven by higher employment, income growth, increased consumer and business confidence, and the lowest short-term mortgage rates in 40 years. Starts in the St. John's area, which account for 58% of the provincial total, grew by 10% to 1,029 in 2001. Housing starts in other large centres (Gander, Grand Falls-Windsor, Corner Brook, and Labrador West) grew by 61% to 151 in 2001, and starts in remaining areas increased by 41% to 608.

Non-Residential

Non-residential construction investment in 2001 declined by 11.5% to $1.52 billion resulting from reduced investment in public administration and the winding up of Terra Nova development. As in recent years, the oil and gas industry accounted for over one-third of total investment. Strong growth was noted in the utilities and trade industries. Retail trade capacity, in particular, has expanded with the construction of major retail infrastructure in St. John's, Mount Pearl and Corner Brook.

There were 1,845 construction firms registered in the province in 2000, up about 2% from the previous year. Of these, about 50% are located on the Avalon Peninsula.

Building Permit Values

Community	2001 $ Millions	% Change from 2000
St. John's	103.9	-2%
Mount Pearl	33.6	68%
Paradise	32.2	3%
Conception Bay South	25.7	76%
Corner Brook	23.4	71%
Grand Falls-Windsor	14.4	-1%
Gander	10.5	-63%
Happy Valley-Goose Bay	4.8	3%
Labrador City	2.2	6%
Total	250.7	7%

Source: Municipal Records; Economics and Statistics Branch, Department of Finance

Churchill River Power

Examination of the feasibility of developing the Lower Churchill to supply electricity for aluminum processing was initiated in 2001

Credit: Newfoundland and Labrador Hydro
Artist rendition of proposed Gull Island Hydro Development

Lower Churchill Hydro Project

The Lower Churchill Hydro Development offers considerable economic opportunity for the province. The project includes two potential sites—Gull Island and Muskrat Falls. Gull Island, located 225 km downstream from the existing power plant at Churchill Falls, is the larger and more attractive of the two sites. Gull Island, with potential generating capacity of 2,000MW, has an estimated capital cost of approximately $4 billion (including generation and transmission infrastructure). Muskrat Falls, with a potential capacity of approximately 800MW, is located 60 km further downstream from Gull Island. During 2001, Government and Newfoundland and Labrador Hydro (NLH) stepped back from commercial negotiations relating to the project and undertook a review of development options.

In July 2001, Alcoa Inc., the world's leading producer of primary aluminum, fabricated aluminum and alumina, partnered with Government and NLH on a preliminary feasibility review respecting the development of the Lower Churchill and the establishment of aluminum processing facilities in the province. This development option would involve generating electricity for aluminum processing by Alcoa in the province, and possibly to meet Alcoa's power requirements in Québec. In December 2001, the company presented its findings to Government and NLH.

The future direction of the Lower Churchill Hydro Development Project will be determined in 2002. Government is committed to the development of this hydro resource in a prudent manner that maximizes the benefits to the people of the province. Government remains committed to ongoing discussion and consultation with the Innu on this development. Negotiations between NLH and the Innu Nation for an Impact and Benefits Agreement continued during 2001.

Upper Churchill (Recall/GWAC)

In 1998, the province completed its plan to recall the remaining 130MW of the 300MW of power available under the original Churchill Falls power contract. Since 1998, NLH has realized total profit of approximately $84 million from the sale of this power back to Hydro Québec under the three year renewable contract. NLH retains unlimited rights to recall this power for use in Labrador.

Under the 1999 Guaranteed Winter Availability Contract (GWAC), executed between Churchill Falls (Labrador) Corporation (CF(L)Co) and Hydro Québec, CF(L)Co has earned approximately $24 million from the sale of 680MW of additional capacity available from the Churchill Falls plant. Total revenues over the term of this contract (to 2041) are estimated to be approximately $1.5 billion.

Construction

Employment in the construction industry was 10,900 in 2001, on par with 2000

Credit: Provincial Archives of Newfoundland and Labrador
Construction site of "The Rooms"

Residential

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Outlook for 2002

- Total construction investment is expected to be $2.17 billion, down about 7% from 2001. Decreased construction spending reflects, in part, the conclusion of Terra Nova development.
- Pending project sanction, White Rose construction is expected to begin in 2002.
- Housing investment is expected to grow by 3.4% and housing starts are expected to increase by 4.3%.
- An inventory of major capital projects can be found on page 36.

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Upper Churchill (Recall/GWAC)

In 1998, the province exercised its right to recall the remaining 130MW of the 300MW of power available under the original Churchill Falls power contract. Since 1998, NLH has realized total profit of approximately $94 million from the sale of this power back to Hydro Québec under the three year renewable contract. NLH retains unlimited rights to recall this power for use in Labrador.

Under the 1999 Guaranteed Winter Availability Contract (GWAC), executed between Churchill Falls (Labrador) Corporation (CF(L)Co) and Hydro Québec, CF(L)Co has earned approximately $24 million from the sale of 680MW of additional capacity available from the Churchill Falls plant. Total revenues over the term of this contract (to 2041) are estimated to be approximately $1.5 billion.

Transportation

Transportation and warehousing accounts for 4.5% of real GDP and employs about 12,400 people

Credit: Oceanex (1997) Inc.
Container vessel passing Fort Amherst in St. John's

Modern transportation infrastructure is vital to manufacturers, exporters, wholesalers and retailers, and to industries like tourism. Each of these industries experienced rapid growth in the 1990s, increasing the demand for efficient and reliable service.

Outlook for 2002

- Newfoundland Transportation Initiative spending targetted at $34.7 million in 2002/03.
- The Trans Labrador Highway connecting Red Bay to Cartwright is expected to open by year end.
- Three major new trunk by-pass roads are expected to be completed (the Conception Bay North and Conception Bay South by-pass roads, and the Outer Ring Road).
- The St. John's airport renovation program is expected to be completed.
- $5.7 million will be invested by the St. John's Port Authority for marine infrastructure projects.
- Investment in the transportation and warehousing industry (excluding road construction) is expected to be $92 million.
- Air capacity will present challenges as industry restructures.
- The current expansion of the Whiffen Head Transshipment Terminal will be completed.

The transportation industry, in terms of modes of transport, quality of infrastructure, and ownership, has changed significantly over the past decade. Historically, coastal ferry services and the railway were the dominant transport modes for economic activity. Today, the industry includes a modern road, marine, and air services infrastructure which continues to enjoy enhancements and expansion in line with economic growth and the emergence of new industrial activity.

Over the past 15 years, several key services have been devolved from the federal to provincial governments, and from both levels of government to the private sector. For example, the federal government negotiated the transfer of coastal ferry services to the provincial government, some ports and airports to local authorities, and in 1996 it privatized its road transport (C.N. Terra Transport and Roadcruiser) and some air navigation services (NAV Canada).

Marine Transportation

The Gulf ferry service (operated by Marine Atlantic, a federal Crown Corporation) and provincially-managed coastal ferry services comprise a substantial portion of marine transportation. Marine Atlantic's passenger traffic peaked in 2000 at over 500,000 persons compared to 407,000 in 1990, due primarily to increased tourism activity, improved ferry capacity (i.e., the addition of a third ferry in 2000), and reduced transit times. The province currently manages 16 ferry services, including long established routes operated by the province (e.g., Farewell to Fogo Island) as well as those devolved from the federal government (e.g., Lewisporte to Goose Bay).

Most freight moved to and from the province passes through the marine mode. In 1999, about 22.4 million tonnes of cargo was handled, up from 12.7 million tonnes in 1990. This increase was led by increased crude and refined petroleum shipments. Excluding petroleum, cargo shipments declined from 4.1 million tonnes to 3.9 million tonnes over this period, due in large part, to lower fish shipments and the closure of the Hope Brook gold mine.

The emergence of the oil sector has given rise to the need for a broader range of marine services. For example, an oil transshipment facility was constructed at Whiffen Head in 1998 and is now undergoing its second expansion. Additionally, almost $55 million has been invested in the port of St. John's in recent years to construct an offshore oil supply base, and to upgrade cargo terminals, cruise ship and other berths. Other improvements include upgrading marine-related transportation facilities at Port aux Basques, St. Barbe (Labrador Straits crossing), and Portugal Cove, among other places.

Road Transportation

Between 1972 and 2002, the provincially maintained highway system grew from 8,400 km to over 9,000 km, (paved highways grew from 3,100 km to 7,000 km). This growth is the direct result of several major construction projects including the Outer Ring Road, several by-pass roads, a divided Trans Canada Highway in many areas, and the Trans Labrador Highway. Since no road existed before, the construction of the Southern portion of the Trans Labrador Highway from Red Bay to Cartwright should facilitate new tourism and economic development opportunities in that region of the province (see page 32).

Air Transportation

Four commercial airlines currently provide inter-provincial and intra-provincial air passenger services including: Air Canada (including Air Nova and Tango); Provincial Airlines; Air Labrador; and Air St. Pierre. Led by increased air line capacity, a growing tourism industry, and increased business and international air traffic, non-resident commercial traffic rose from about 170,000 persons annually in the early 1990s to almost 260,000 in the past few years, a gain of approximately 50%.

Credit: Dan Michielsen
The Trans Labrador Highway crossing the Alexis River near Port Hope Simpson

The air transportation industry has undergone fundamental changes in recent years, driven by corporate restructuring, capacity reduction, devolution, and infrastructure improvements. Major improvements in recent years include the $48 million expansion at St. John's airport, and facility upgrading at Deer Lake and Stephenville.

Major Transportation Milestones Since 1988

Marine

1990	*Joseph and Clara Smallwood* commences operations on Gulf ferry
1995	Province assumes responsibility for south coast ferries from federal government
1998	Whiffen Head Transshipment Terminal opened
2000	*Max Mols* added temporarily as third ferry on Gulf crossing (passenger traffic peaks at 500,000); *Max Mols* replaced by *Leif Ericson* in 2001

Roads

1988	Newfoundland Transportation Initiative provides $640 million in federal funds in return for terminating railway operations
1996	C.N. Roadcruiser service privatized to DRL Coachlines
1997	Labrador Transportation Initiative provides $190 million in federal funds to construct Trans Labrador Highway

Air

1998	St. John's Airport devolved from federal government to local authority
2001	Gander Airport devolved from federal government to local authority

Transportation

Transportation and warehousing accounts for 4.5% of real GDP and employs about 12,400 people

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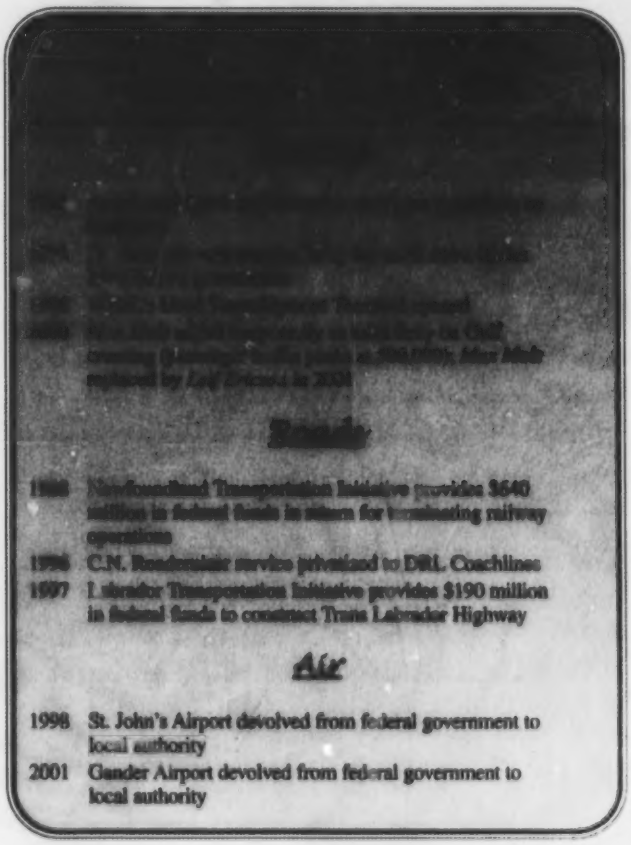
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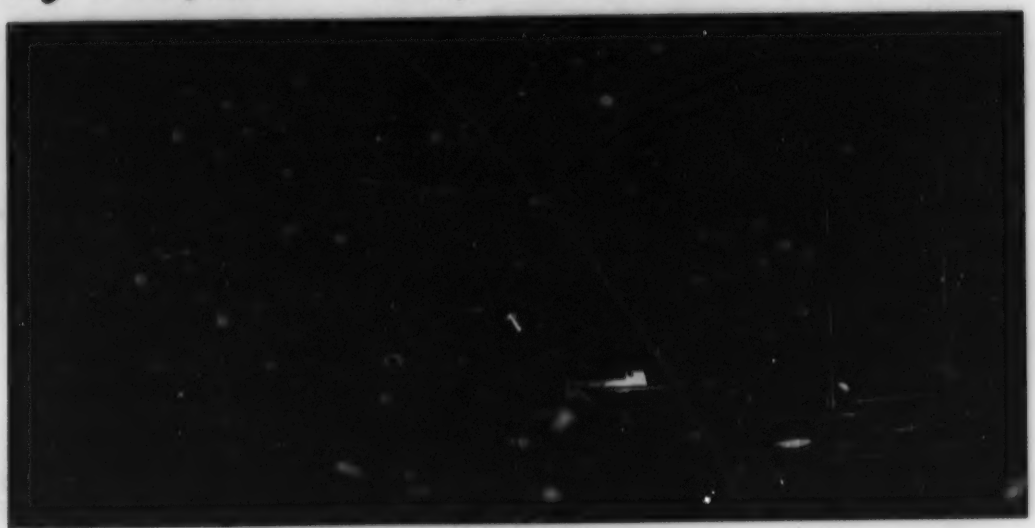
Community Profile — Mary's Harbour & Cartwright

Mary's Harbour and Cartwright are emerging as primary service centres for Southeastern Labrador



Credit: Michael Hockney - Courtesy of Newfoundland and Labrador Tourism
Government wharf at Cartwright

Mary's Harbour and Cartwright are the primary service centres for Southeast Labrador, accounting for almost 40% of the area's population. Two of the area's largest fish plants are also located in these towns. Each plant (owned by the Labrador Fishermen's Union Shrimp Company) processes crab and employs up to 150 people at peak. Completion of the Trans Labrador Highway (TLH) will facilitate new opportunities in forestry and mining, provide improved access to health, education and recreation facilities, and reduce travel costs to this area of the province.

Mary's Harbour

Mary's Harbour, founded in 1930, has an economy driven mainly by the crab fishery, tourism, and government services. Mary's Harbour is one of the main stops on the coastal section of the TLH, providing opportunities in the town for travel-related services. Tourism is also bolstered by the town's proximity to the National Historic District of Battle Harbour which hosts about 2,000 tourists each year. The provincial and federal governments each maintain a presence at Mary's Harbour. Also, a new personal home care facility is slated for construction in 2002.

Cartwright

Initially settled in 1775, Cartwright was designated as the Hudson's Bay Company's principal trading post for Labrador in 1837. Local economic activity spans a range of industries. Cartwright is located near two world renown salmon fishing rivers (Eagle and Paradise Rivers), the Gannet Islands Seabird Ecological Reserve, and the Table Bay eider duck colony. The town is the termination point for the coastal section of the TLH, allowing it to serve as a marine cargo transshipment centre for Northern Labrador. In recent years, logging activity has expanded, and a new sawmill is planned for construction. The local Marine Service Centre is undergoing a $5.5 million expansion which will assist in furthering economic development and growth. There is a strong public sector presence in the community consisting of three provincial and two federal departments and agencies.

Community Indicators

Population (1996)	[illegible]	[illegible]	[illegible]
Population Components (1996)			
School Age Children	33%	31%	23%
Prime Labour Force (25-54)	48%	48%	46%
Seniors (65+)	7%	9%	12%
Education Attainment (1996)			
Completed post secondary	40%	24%	30%
High school/some post secondary	16%	24%	24%
Less than high school	44%	52%	45%
Income (1998)			
Median personal income	$15,400	$13,200	$14,700
Median family income	$31,400	$25,500	$27,600
Education Enrollment			
1996	111	127	106,205
2001	101	118	90,167

Source: Community Accounts Database; Department of Education; Statistics Canada

Forestry

Industry encouraged to improve fibre utilization

Credit: Ned Pratt Photography - Courtesy of Abitibi-Consolidated
Abitibi-Consolidated newsprint mill at Stephenville

Newsprint

Newsprint shipments totalled 745,800 tonnes in 2001, down almost 8% from 2000. This decline was mainly due to weak demand in the second half of 2001 and resulted in production downtime at Grand Falls-Windsor and Stephenville. Production was also impacted by a two-month mechanical breakdown at Grand Falls-Windsor. Despite the decline, production levels last year were the second highest on record.

The value of newsprint shipments last year was on par with 2000 at about $675 million, the result of a higher annual average price and a lower Canadian dollar. Prices were strong during the first six months of 2001, rising from an average of US$610/tonne in the first quarter to US$625/tonne by mid-year. Weak markets in the second half, however, resulted in a price decline to US$522/tonne in the fourth quarter.

Lumber

Sawmill production is expected to reach a record 140 million board feet in 2001/02, a 4% increase from the previous year. About 50% of total production is exported to the U.S.

Production gains were realized in 2001 despite weakness in key export markets. Export tariffs were also an issue following the expiry of the Atlantic Canada-U.S. Softwood Lumber Accord which had given local producers unimpeded access to U.S. markets. While Atlantic Canada was exempt from the 19.3% countervailing duty placed on Canadian lumber exports, it was subject to a new 12.6% anti-dumping duty in October 2001 (which required the posting of bonds). The anti-dumping duty is expected to remain in place until May 2002, at which time a final decision will be made on the tariffs or some other mechanism to resolve the issue.

Annual Allowable Cut

The Annual Allowable Cut (AAC), or the amount of wood permitted to be harvested each year, has been effectively reduced by 2% for the 2001-2005 period. The impacts of this reduction are minimal given that, over the past decade, industry has increased its annual output despite a stable AAC. This was accomplished through increased use of recycled fibre, fibre imports, improved technology, and increased fibre utilization.

Outlook for 2002

- [illegible] production is expected to increase by 2% to 760,000 tonnes.
- [illegible] prices are expected to strengthen from recent lows, but remain, on average, lower than 2001.
- Lumber production is expected to increase marginally.
- [illegible] is an expectation that the province will remain exempt from U.S. softwood lumber import restrictions.
- Both [illegible] companies are expected to complete hydroelectric power projects and begin selling power to Newfoundland and Labrador Hydro.
- Corner Brook was host to the 2002 Forestry Capital of Canada [illegible]. Program events will focus on community forest [illegible] and conservation awareness.

Community Profile — Mary's Harbour & Cartwright

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Credit: Michael Hockney - Courtesy of Newfoundland and Labrador Tourism
Government wharf at Cartwright

www.southeastern-labrador.nf.ca

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Community Indicators

	Mary's Harbour	Cartwright	Province
Population (1998)	460	585	545,362
Population Components (1998)			
School Age Children	33%	31%	29%
Prime Labour Force (25-54)	48%	49%	46%
Seniors (65+)	7%	9%	12%
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Completed post secondary	40%	24%	30%
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Abitibi-Consolidated newsprint mill at Stephenville

Newsprint

Newsprint shipments totalled 745,800 tonnes in 2001, down almost 8% from 2000. This decline was mainly due to weak demand in the second half of 2001 and resulted in production downtime at Grand Falls-Windsor and Stephenville. Production was also impacted by a two-month mechanical breakdown at Grand Falls-Windsor. Despite the decline, production levels last year were the second highest on record.

The value of newsprint shipments last year was on par with 2000 at about $675 million, the result of a higher annual average price and a lower Canadian dollar. Prices were strong during the first six months of 2001, rising from an average of US$610/tonne in the first quarter to US$625/tonne by mid-year. Weak markets in the second half, however, resulted in a price decline to US$522/tonne in the fourth quarter.

Lumber

Sawmill production is expected to reach a record 140 million board feet in 2001/02, a 4% increase from the previous year. About 50% of total production is exported to the U.S.

Production gains were realized in 2001 despite weakness in key export markets. Export tariffs were also an issue following the expiry of the Atlantic Canada-U.S. Softwood Lumber Accord which had given local producers unimpeded access to U.S. markets. While Atlantic Canada was exempt from the 19.3% countervailing duty placed on Canadian lumber exports, it was subject to a new 12.6% anti-dumping duty in October 2001 (which required the posting of bonds). The anti-dumping duty is expected to remain in place until May 2002, at which time a final decision will be made on the tariffs or some other mechanism to resolve the issue.

Annual Allowable Cut

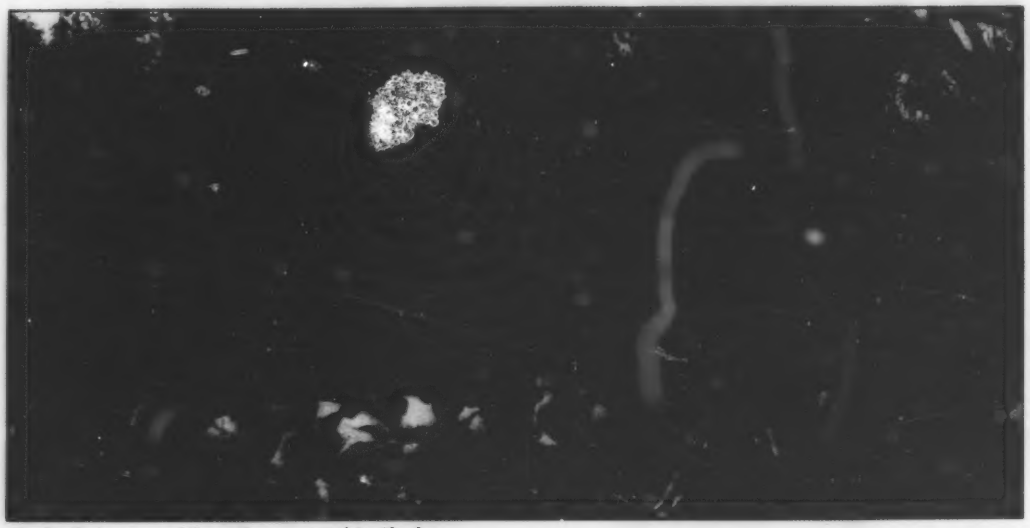
The Annual Allowable Cut (AAC), or the amount of wood permitted to be harvested each year, has been effectively reduced by 2% for the 2001-2005 period. The impacts of this reduction are minimal given that, over the past decade, industry has increased its annual output despite a stable AAC. This was accomplished through increased use of recycled fibre, fibre imports, improved technology, and increased fibre utilization.

Outlook for 2002

- Newsprint production is expected to increase by 2% to 760,000 tonnes.
- Newsprint prices are expected to strengthen from recent lows, but remain, on average, lower than 2001.
- Lumber production is expected to increase marginally.
- There is an expectation that the province will remain exempt from U.S. softwood lumber import penalties.
- Both newsprint companies are expected to complete hydroelectric power upgrades and begin selling power to Newfoundland and Labrador Hydro.
- Corner Brook will hold the 2002 Forestry Capital of Canada designation. Program events will focus on community forest relationships and conservation awareness.

Agrifoods

Dairy producers will begin to produce industrial milk for value-added production



Credit: Department of Forest Resources and Agrifoods
Green Acres Farm, Pasadena

The agrifoods industry is comprised of 740 farms and over 100 food manufacturers, employing about 4,000 people. The Department of Forest Resources and Agrifoods estimates that the industry produces about $500 million worth of goods per year (including secondary processing). Over the past several years, the industry has expanded, driven by increasing consumer demand, an increased focus on specialty products, marketing, and new advances in science. This has allowed farm cash receipts, for example, to grow to over $81 million in 2001, up 12% from the year before.

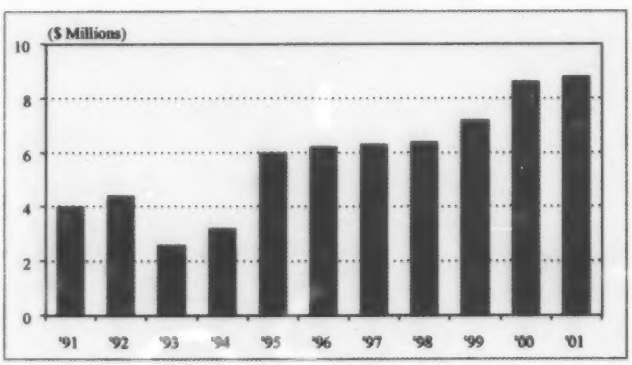
The dairy sector is the largest component of the industry, accounting for over 33% of farm cash receipts. Other large components include chicken production (approximately 30%), egg production (14%), and floriculture and nurseries (11%).

Dairy Industry

The provincial dairy industry expanded rapidly over the past decade. This expansion allowed the province to become self-sufficient in the production of fluid milk, and to export milk products to other provinces and countries. Fluid milk production in 2001 was 34.6 million litres, representing an increase of 3% from 2000. Including manufacturing and marketing activity, the dairy industry is valued at about $100 million and employs over 1,000 people (see page 26 for a brief profile of Brookfield Dairies).

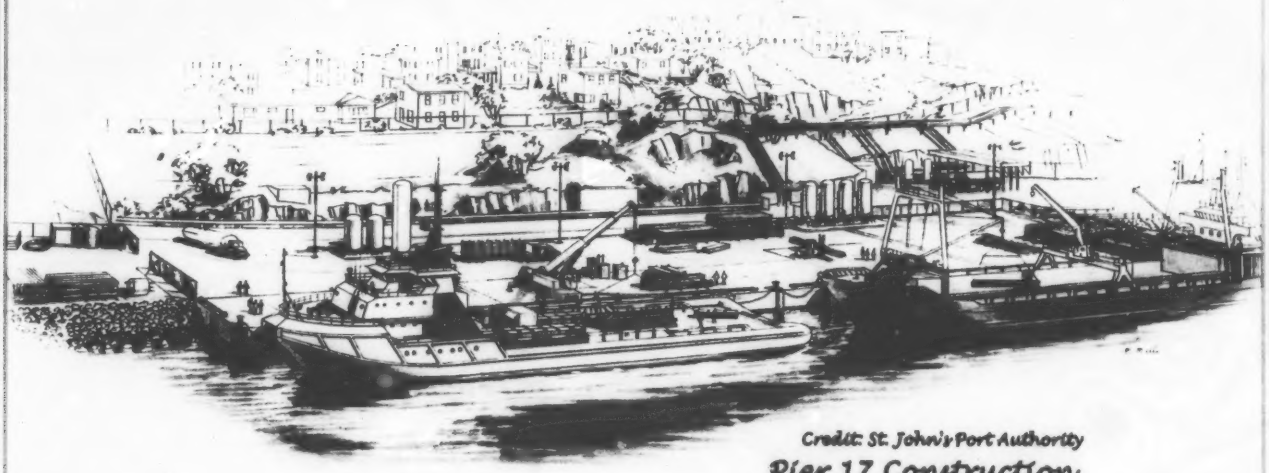
In 2001, dairy farmers and Government negotiated an industrial milk quota with the Canadian Milk Supply Management Committee. This will allow local farmers to engage in industrial milk production for use in value-added processing (e.g., butter, yogurt, ice cream, and other value-added dairy products). This new quota will be phased in over a 15 year period, rising from 7 million litres initially to 31 million litres annually by 2016. A phased-in approach is necessary to allow dairy farmers to develop new farm land and expand their operations, and to allow dairy processors to build the necessary infrastructure and production facilities. As a result of this new quota, milk production is expected to double over the next 15 years and create 500 jobs.

Floriculture and Nursery Industry is Expanding



Note: Value reflects local floriculture and nursery production
Source: Statistics Canada

Detailed Inventory Of Major Capital Projects



Credit: St. John's Port Authority

Pier 17 Construction

Major Capital Projects

COMMERCIAL/RESIDENTIAL

Adult Community Living	50.0	1996/08	19	Karwood Estates - construction of a self-contained adult (45+) community, including houses, apartments, recreational infrastructure, medical facilities and retail space. Situated on a 73 acre development. Projected expenditures of $2.0 million in 2002. (Paradise)
Building Redevelopment	4.0	2002/03	19	King George Properties Inc. - refurbishment and revitalization of the 1912 King George V Building into either a boutique hotel or condominium complex. (St. John's)
Commercial-Retail Land Development	2.0	2002/05	8	Town of Deer Lake - the development of a commercial business park. (Deer Lake)
Cottage Development	7.0	2001/07	19	North Island Resorts (LC) Limited - construction of 50-60 outport-style ocean view cottages. (Lance Cove, Bell Island)
Customer Contact Centre	1.7	2002	19	ICT Group Inc. - renovation of existing retail space in Torbay Road Mall to accommodate a customer contact centre. (St. John's)
Property Redevelopment	4.0 - 5.0	2002/05	19	Myles-Leger Ltd. - redevelopment of the Belvedere property. Project has five phases, the first of which will commence in 2002 with the renovation and restoration of the former orphanage and the construction of the "McKee's Grove" subdivision. (St. John's)
Provincial Home Repair Program	10.5	2002/03	N/A	Newfoundland and Labrador Housing Corporation - a combination grant/loan program to aid low-income households with home repairs. Federal/Provincial cost-shared. (Various locations)
Reconstruction of Apartment Complex	4.0	2002	19	Lewisporte Holdings Ltd. - reconstruction of an apartment complex destroyed by fire on Blackmarsh Road. (St. John's)
Sango Bay Relocation Project	150.0	1997/02	1	Relocation of the Innu community of Davis Inlet to Sango Bay. To be completed by the end of 2002. Federal funds. (Sango Bay)
Seniors' Complex	6.5 - 7.0	2002/04	19	Frank in the Box Limited - construction of 65-70 housing units to be named The Meadows. Projected expenditures of $3.5 million in 2002. (St. John's)
Wal-Mart	20.0	2001/02	19	Wal-Mart Stores Inc. - construction of a new Wal-Mart outlet. (Mount Pearl)

Major Capital Projects

EDUCATION

Building Extension	5.3	2002/03	19	National Research Council of Canada - extension to the Institute for Marine Dynamics at Memorial University's St. John's Campus. Federal funds. (St. John's)
College Refurbishment	4.0	2001/02	8	Memorial University of Newfoundland - includes exterior refurbishment of the Arts and Administration Building and general upgrading of Sir Wilfred Grenfell College. Provincial funds. (Corner Brook)
Earth Sciences Exhibit Facility	9.4	2000/02	19	Johnson Family Foundation - construction of the Geo Centre, a 30,000 sq. ft. underground exhibit facility at Signal Hill showcasing the geological history of the province. Funding from the provincial government ($1.5 million), federal government ($3.4 million), and Johnson Family Foundation. (St. John's)
Exhibition Centre	4.0	2001/03	8	Memorial University of Newfoundland - construction of a new cultural exhibition centre at Sir Wilfred Grenfell College. Provincial funds. (Corner Brook)
Marine Research Centre	3.3	2001/02	7	Memorial University of Newfoundland - construction of a new marine biology research facility in Bonne Bay. Funded by the Atlantic Canada Opportunities Agency. (Norris Point)

Credit: Dr. Robert Hooper
Marine Research Centre at Bonne Bay

School Construction	170.0	1997/04	N/A	Activity includes the construction of new educational facilities, renovations, extensions, and purchasing of new equipment for existing facilities. Funded provincially through the Newfoundland and Labrador Education Investment Corporation. (Various locations)

Major Capital Projects

Student Residences	7.5	2001/02	8	Memorial University of Newfoundland - construction of residences for Sir Wilfred Grenfell College. Includes accommodations and conference facilities. Provincial and University contributions. (Corner Brook)
ENVIRONMENTAL				
Environmental Clean-Up	81.0	1996/04	18	Clean-up of the former U.S. Naval Base. Projected expenditures of $10 million for the 2002/03 fiscal year. Federal funds. (Argentia)
Environmental Clean-Up Phase II	1.2	2001/04	9	Project involves treatment of contaminated soil at the former U.S. radar site at Table Mountains. Federal funds. (Stephenville)
Environmental Improvements	500.0	1996/06	15	North Atlantic Refining Ltd. - productivity and environmental improvements including reduction of sulphur dioxide emissions. $200 million to be spent over 2001 - 2006. (Come by Chance)
Mine Site Decommission and Environmental Restoration	17.0	2002/04	10	Clean-up and restoration of the former Hope Brook Gold Mine site. Provincial funds. (Hope Brook)
FORESTRY				
Asset Maintenance	3.0	2002	12	Abitibi-Consolidated Ltd. - general asset maintenance of facilities, including frequency conversion and hydroelectric upgrades. (Grand Falls-Windsor)
Forest and Agriculture Access Roads	3.0	2002/03	N/A	Construction of access roads on Crown land. Provincial funds. (Various locations)
Hydroelectric Construction and Refurbishment	65.0	2002/03	12	Abitibi-Consolidated Ltd. - construction of a 27 megawatt generating station at Grand Falls-Windsor and replacement of eight turbines at the Bishop's Falls facility. (Grand Falls-Windsor)
Mill/Hydroelectric Expenditures	39.0	2002	8	Corner Brook Pulp and Paper Limited - various projects, including mill capital projects and Deer Lake hydroelectric power expenditures. (Corner Brook & Deer Lake)
Woodlands Expenditures	3.7	2002	N/A	Corner Brook Pulp and Paper Limited - construction of forest resource access roads. (Various locations)
HEALTH CARE/LONG TERM CARE				
Fogo Island Health Centre	9.7	2002/04	14	Construction of a new hospital. Provincial funds. (Fogo Island)
Grand Bank Health Centre	17.3	2002/05	16	Construction of a new medical clinic and nursing home. Provincial funds. (Grand Bank)

Major Capital Projects

James Paton Memorial Hospital	69.0	1993/04	14	Construction of a new wing to the James Paton Memorial Hospital, as well as redevelopment of existing building. Provincial funds. (Gander)
Personal Home Care Facility	1.4	2002/03	4	Newfoundland and Labrador Housing Corporation - construction of a new personal home care facility. Provincial funds. (Mary's Harbour)
Sir Thomas Roddick Hospital	34.5	2001/03	9	Construction of a new hospital to replace the existing facility. Provincial funds. (Stephenville)
INDUSTRIAL/MANUFACTURING				
Aquaculture Expansion	6.0	2001/02	13, 17	NLDC Aquaculture Corporation - expenditures aimed at increasing salmonid production in the Bay d'Espoir area ($3 million, completed) and building cod hatcheries in the Bay Roberts area ($3 million, $2 million remaining to be spent). (Bay d'Espoir, Bay Roberts)
International Manufacturing Centre	20.0 - 25.0	2001/04	19	Newfoundland and Labrador Development Corp. - construction of an industrial park capable of supporting five manufacturing/ assembly plants to be located near amenities and infrastructure. (Northeast Avalon Peninsula)
Particle Board Manufacturing Plant	7.2	2000/02	6	Wood Products Industries Ltd. - construction of a particle board manufacturing plant. Private/Provincial/Federal funds. (Roddickton)
Shrimp Processing Plant	over 5.0	2002	14	Notre Dame Seafoods - plant conversion to shrimp processing to be ready for operations in April 2002. (Twillingate)
MINING				
Base Metals Mine	80.0	2002/03	12	Thundermin Resources Inc. and Queenston Mining Inc.- construction of a mine and mill. Mine would operate for 10 years at a production rate of 540,000 tonnes per year. Ownership of property to transfer to Aur Resources Inc. in 2002. (Duck Pond)
Multi-Year Capital Investment Program	650.0	1997/(N/A)	2	Iron Ore Company of Canada - expenditures for various improvements including increased capacity. Initially scheduled for completion in 2003, but deferred due to market conditions. (Labrador City)
MUNICIPAL INFRASTRUCTURE				
Canada/Newfoundland Infrastructure Agreement	153.7	2000/06	N/A	Program to assist municipalities in improving infrastructure. Projected expenditures for 2002/03 fiscal year estimated at $52.9 million. 1/3 Federal funds, 2/3 Provincial/Municipal cost-shared according to municipal financial capacity. (Various locations)

Major Capital Projects

Canada/Newfoundland Inuit Communities of Labrador Contribution Agreement	9.6	2002/03	1	Program to provide water and sewer for coastal communities of Labrador. Expenditure figures shown are for the 2002/03 fiscal year. Federal share is $8.1 million, Provincial $1.5 million. (Labrador)
Centennial Square Revitalization Project	3.2	2002/04	19	City of Mount Pearl - redevelopment and improvement of the Centennial Square Business Area, including additional parking, improved traffic circulation, and enhancement of the City Centre. 50/50 Provincial/Municipal funds. (Mount Pearl)
Multi-Year Capital Works Program	106.0	1999/02	N/A	Program to assist municipalities in construction of local infrastructure. Provincial/Municipal 50/50 cost-shared program. (Various locations)
Municipal Capital Works Program	20.0	2002/03	N/A	Program to assist municipalities in construction of local infrastructure. Provincial funds. (Various locations)
OIL AND GAS				
Terra Nova and Hibernia	500.0	2002	N/A	Hibernia Management and Development Company Ltd. and Petro-Canada - figures include capital drilling costs for the current year. (Offshore Newfoundland)
White Rose Oil Development	1,769.0	2000/05	N/A	Husky Oil Limited and Petro-Canada - figures are for pre-production capital only. Includes the construction of production vessel and modules for vessel; excavation of glory holes; drilling: fabrication and installation of subsea systems; and hook-up and commissioning of vessel. Figure provided is in constant 2000 dollars. (Various locations)
TOURISM/CULTURE/RECREATION				
Integrated Snowmobile Trails	6.8	1999/02	N/A	Includes trail development and improvement, erection of signage and the purchase of grooming machinery. Funding provided by the Strategic Regional Diversification Agreement, Canada/Newfoundland Labour Market Development Agreement and the Economic Development Component of the Fisheries Restructuring and Adjustment Initiative. (Island of Newfoundland)
Marina Expansion	2.0 - 2.5	2001/03	19	North Island Resorts (LC) Limited - expansion of the current marina facility, as well as construction of a community centre, tennis courts and swimming pool. Pending successful application for government funding. (Lance Cove, Bell Island)
Provincial Archives, Museum and Art Gallery	47.5	2000/04	19	"The Rooms" - the permanent home for provincial artifacts, archival materials, and local art. The new building will have over 150,000 sq. ft., including exhibition galleries, meeting rooms, lecture halls, and a multi-media centre. Provincial funds. (St. John's)

Major Capital Projects

Railway-Coastal Museum	1.8	2002	19	Johnson Family Foundation - establishment of a railway museum. Includes spending on exhibits and renovations of the former CN rail station. Funded by the Johnson Family Foundation. Additional funds pending. (St. John's)

Credit: Gerald Crane
Former Railway Station at St. John's

Resort and Golf Course	85.0	1999/03	8	Humber Valley Resort Corporation - construction of a 243 hectare, 300 chalet resort and 18 hole golf course on the north side of the lower Humber River. Projected expenditures of $7.5 million in 2002/03 fiscal year. (Humber Valley)
Restoration Project	1.0	2001/06	19	Anglican Cathedral of St. John the Baptist - restoration and replacement of masonry. (St. John's)
Walkway Network	7.4	2001/03	19	Grand Concourse Authority - the continuation of an elaborate walkway system including associated infrastructure. Funded by members of the Grand Concourse Authority, the Johnson Family Foundation, and Federal, Provincial, and Municipal governments. (St. John's, Mount Pearl, and Paradise)

TRANSPORTATION/DEFENCE

Airbase Construction and Repair	1.5	2001/02	3	5 Wing Canadian Forces Base Goose Bay - construction and repair of airbase. (Goose Bay)
Airport Construction Program	48.0	1998/02	19	St. John's International Airport Authority - construction and retrofit of the existing terminal complex, including expansion of commercial space, and rehabilitation of runway. Spending in 2002 of $4.3 million with project slated for completion in June. Federal funds and St. John's International Airport Authority. (St. John's)
Coastal Marine Infrastructure	2.0	2002/03	1, 4	Expenditures cover improvements to marine infrastructure in coastal Labrador. Funded under the Labrador Transportation Initiative. (Labrador)

Major Capital Projects

Ferry Wharves' Improvement	3.6	2000/02	19	Upgrading of Bell Island ferry wharves. Projected expenditures of $1.3 million in 2002/03. Provincial funds. (Bell Island)
Harbour Development	12.0	2002/03	N/A	Fisheries and Oceans Canada - ongoing program of small craft harbour maintenance, repair and replacement of wharves, breakwaters, slipways and other marine infrastructure. Federal funds. (Various locations)
Labrador Airports Restoration Program	3.7	1998/03	N/A	Restoration work on Labrador coastal airstrips. Projected expenditures of $0.6 million in 2002/03. Federal funds. (Labrador)
Labrador Transportation Initiative	190.0	1997/03	N/A	Work includes upgrading of the Labrador West highway to Happy Valley - Goose Bay (completed), as well as highway construction from Red Bay to Cartwright. Projected expenditures of $20.8 million in 2002/03. Provincial funds. (Labrador)
Lightstation Revitalization Program	19.5	1999/04	N/A	Canadian Coast Guard (Fisheries and Oceans Canada) - the repair and renovation of up to 24 lightstations. Federal funds. (Various locations)
Marine Centre Expansion	5.5	2001/02	4	Expansion of the existing marine centre to include up to 80 metres of wharf frontage, a lay down area for pulpwood storage, upgraded road access, and additional berthing space for fishing vessels. Funded through the Canada-Newfoundland Comprehensive Economic Development Agreement. (Cartwright)
Newfoundland Transportation Initiative	640.0	1988/03	N/A	Expenditures targetted towards upgrading the province's highway transportation infrastructure. Expenditures for the 2002/03 fiscal year targetted at $34.7 million. Federal funds. (Various locations)
Pier 17 Reconstruction	10.0	2001/02	19	St. John's Port Authority - a-state-of-the-art 150,000 sq. ft. multi-use facility equipped to meet current general needs as well as future oil and gas related requirements. (St. John's)
Roads Improvement and Construction	22.0	2002/03	N/A	A variety of projects undertaken to maintain roads, bridges and causeways. Provincial funds. (Various locations)
Transshipment Terminal Expansion–Phase III	16.0	2001/02	15	Newfoundland Transshipment Limited - expansion includes a sixth tank to increase working capacity. (Whiffen Head)

Major Capital Projects

Utilities

Churchill River Power Project (Gull Island)	4,000.0	2006/12	2, 3	Newfoundland and Labrador Hydro - project configuration includes a 2,000 megawatt generating station with four generating units, a rockfill dam and spillway at Gull Island, as well as new transmission lines in Labrador and Québec. (Labrador & Québec)
Electrical Utility Capital Expenditures	88.7	2002	N/A	Newfoundland and Labrador Hydro - includes upgrades and improvements to transmission lines and distribution systems, improvements to generating facilities, purchase of new equipment and expenditures on the Granite Canal hydroelectric project which will total $61.1 million in 2002. (Various locations)
Electrical Utility Capital Program	54.6	2002	N/A	Newfoundland Power Inc. - figures include capital expenditures for distribution, energy supply, substations, general property, telecommunications, and various other projects. (Various locations)

Other

Canada-Newfoundland Agreement on Economic Developmen.	81.3	1999/02	N/A	Refers to the Canada-Newfoundland Agreement on the Economic Development Component of the Canadian Fisheries Restructuring and Adjustment Initiative. The $81.3 million figure includes non-capital spending. 80/20 Federal/Provincial cost-shared. (Various locations)
Canada-Newfoundland Comprehensive Economic Development Agreement	95.0	1997/03	N/A	An agreement to capitalize on opportunities within strategic growth sectors. Examples include technology development investment, export trade and marketing, tourism development, and cultural initiatives. 70/30 Federal/Provincial cost-shared. (Various locations)
Northern Coastal Labrador Strategic Initiative	23.0	2000/03	1	Expenditures aimed at providing and upgrading the basic infrastructure of Northern Labrador communities in the areas of housing ($7.7 million), roads ($6.0 million), water and sewer servicing ($9.0 million) and wharf upgrading ($0.3 million). Housing expenditures funded provincially, road upgrading funded through the Labrador Transportation Initiative, water and sewer servicing funded through the Federal/Provincial Inuit Communities Agreement. (Northern Labrador Coastal Communities)
RCMP Capital Program	4.5	2002/03	N/A	Royal Canadian Mounted Police - housing construction and building upgrades as well as construction of a new district office in Holyrood. (Various locations)

Note: Major projects included in this report must have an estimated capital cost of $1 million or more.

Credit: Gerald Crane
Skating on Mundy Pond

Real Gross Domestic Product by Industry, 2000

	$1997 Millions	% of Total
GOODS PRODUCING INDUSTRIES	**3,741**	**33.0**
Agriculture	47	0.4
Forestry & Logging	117	1.0
Fishing &Trapping	206	1.8
Mining & Oil Extraction	1,549	13.7
Manufacturing	752	6.6
Fish Products	189	1.7
Other Manufacturing	564	5.0
Construction	566	5.0
Utilities	503	4.4
SERVICES PRODUCING INDUSTRIES	**7,602**	**67.0**
Wholesale Trade	487	4.3
Retail Trade	671	5.9
Transportation & Warehousing	506	4.5
Finance, Insurance, Real Estate, Renting, Leasing, & Management of Companies	1,811	16.0
Professional, Scientific & Technical Services	285	2.5
Educational Services	772	6.8
Health Care & Social Assistance	874	7.7
Information & Culture Industries	537	4.7
Accommodation & Food Services	241	2.1
Public Administration	1,004	8.9
Other Services	413	3.6
ALL INDUSTRIES	**11,343**	**100.0**

Note: GDP is expressed at basic prices, measuring payments made to the owners of factor inputs in production. This differs from GDP at market prices. The difference is attributable to taxes less subsidies on products.

Other Services includes Administrative and Support Services, Waste Management and Remediation services, Arts Entertainment and Recreation, and unclassified services.

Source: Statistics Canada; Economic Research and Analysis Division, Department of Finance.

Employment by Industry, 2001

	Person Years (000s)	% of Total
GOODS PRODUCING INDUSTRIES	**45.9**	**21.7**
Agriculture	1.0	0.5
Forestry & Logging	1.3	0.6
Fishing &Trapping	7.4	3.5
Mining & Oil Extraction	6.2	2.9
Manufacturing	16.4	7.8
Fish Products	7.2	3.4
Other Manufacturing	9.2	4.4
Construction	10.9	5.2
Utilities	2.8	1.3
SERVICES PRODUCING INDUSTRIES	**165.4**	**78.3**
Wholesale Trade	7.3	3.5
Retail Trade	32.3	15.3
Transportation & Warehousing	12.4	5.9
Finance, Insurance, Real Estate & Leasing	7.9	3.7
Professional, Scientific & Technical Services	7.3	3.5
Management, Administrative & Other Support	6.3	3.0
Educational Services	17.3	8.2
Health Care & Social Assistance	30.6	14.5
Information & Culture Industries	7.0	3.3
Accommodation & Food Services	11.5	5.4
Public Administration	15.8	7.5
Other Services	9.6	4.5
ALL INDUSTRIES	**211.3**	**100.0**

Source: Statistics Canada; Economic Research and Analysis Division, Department of Finance.